

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

HEARINGS

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE**

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

H.R. 4586

AN ACT MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION FOR
THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 1989, AND FOR OTHER PURPOSES

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MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

MONDAY, MARCH 21, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:04 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding.

Present: Senators Sasser, Stevens, and Reid.

DEPARTMENT OF DEFENSE

ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)

STATEMENT OF HON. RICHARD L. ARMITAGE, ASSISTANT SECRETARY OF
DEFENSE (INTERNATIONAL SECURITY AFFAIRS)

BASE RIGHTS AND BURDENSARING

OPENING REMARKS OF SENATOR SASSER

Senator SASSER. The subcommittee will come to order.

This morning we have a very distinguished panel, and I want to welcome before this subcommittee this morning the Honorable Richard Armitage, Assistant Secretary of Defense for International Security Affairs; the Honorable John W. Woodworth, Deputy Assistant Secretary of Defense for European and NATO Policy; Gen. Thomas C. Richards, U.S. Air Force, Deputy Commander in Chief, U.S. European Command; and Adm. Ronald J. Hays, U.S. Navy, Commander in Chief, U.S. Pacific Command.

Gentlemen, I welcome you here this morning, and the subcommittee looks forward to your testimony here in just a moment.

BURDENSARING RESPONSIBILITIES OF U.S. ALLIES

Last year, this subcommittee conducted a special hearing on the whole issue of burdensaring by our allies. For several years, the subcommittee has expressed deep concern about what we perceive to be the low level of our allies' contribution to the common defense of the free world.

To many of us on this subcommittee, to many of us in Congress, and to what is becoming a large percentage of the American people, there is the perception that our allies have not been holding up their end of the burdensharing responsibility; that is, carrying their share of the burden of defending the free world.

For a number of years, this subcommittee has made many specific recommendations to the administration suggesting ways of securing increased contribution from our allies. It has appeared, unfortunately, that our recommendations and suggestions have fallen on deaf ears.

It seems to us, sometimes, that senior officials at the Department of Defense and the Department of State spent more time defending our allies and were merely giving lip service to the burdensharing requirements that were being urged on them by the Congress.

There appears to have been what I would characterize as a sea change in the Department of Defense's attitude with the advent of Secretary Carlucci to Secretary of Defense.

It appears to this subcommittee that we are seeing a different approach, and for the first time I feel that burdensharing is getting the high level of attention that it deserves.

Most of us in the Congress, who have been involved in this issue, realize that you cannot turn around long-term trends overnight. We also accept the realities of the world situation and that political, social, budgetary, demographic and sometimes even constitutional constraints that the U.S. Government helped write, might prevent our allies from matching U.S. defense expenditures dollar for dollar.

But with these realities accepted, our allies can still take specific steps toward helping us to better defend the common interest of the free world.

BURDENSARING SINCE 1980

The facts speak for themselves. In 1980 our allies were providing 47 percent of the total allied defense effort. After 7 years of a very substantial defense buildup on the part of the United States, our allies are now providing barely 30 percent, a fall of almost 17 percent in their total effort toward allied defense.

Now, I believe that unless these trends are reversed, the cohesion of the NATO alliance and our relationship with important Pacific trading partners could be severely eroded.

I believe our allies have come to realize that while they have problems expanding their commitments and their financial contributions, so do we here in the United States.

I perceive that there may be an awakening in Europe, perhaps to a lesser extent in the Far East, that they, themselves, our allies, must do more.

I have read with interest statements by some parliamentarians from Europe who ask themselves the question, how much longer can we expect the United States to play the large and very significant role it plays

now in the defense of Europe when we find ourselves with a European gross national product, that exceeds that of the Soviet Union and a population that exceeds or at least almost equals that of the Soviet Union.

DEFENSE ACTIONS BY SPECIFIC NATIONS

This morning we have called this hearing at a time when our military presence abroad is being increasingly challenged by our allies themselves. Spain, a NATO ally, has told us we have to move the 401st Tactical Fighter Wing to another location.

In Greece, we are engaged in negotiations over extending base rights in that country with very serious concerns that the government of Athens may ask us to move another important base.

In the Philippines, we are facing a potential 700-percent increase in foreign aid as rent for Clark and Subic bases.

We are finding that we are no longer welcomed with open arms by some of our friends. Those who do welcome us, seek to place severe restrictions on our operations or seek unrealistic foreign aid in exchange for the bases that are maintained on their soil for the common defense.

Now, these are very serious issues for the subcommittee responsible for military construction appropriations to consider.

BASE RIGHTS QUESTION

The results of the negotiations now ongoing could have a tremendous impact on military construction required to move military activities to other, more friendly, countries if bases should be closed or if bases should be denied to us or if unreasonable demands should be made on the U.S. Government in order to keep bases open.

This subcommittee views base rights as a tangible measure of burden-sharing. After all, the forces of the U.S. Government are deployed abroad to defend our allies just as they are to defend the security of the American people.

I look forward to hearing the testimony this morning from this very distinguished panel of witnesses.

I will first say that we are pleased to welcome back Rich Armitage, the Assistant Secretary of Defense for International Security Affairs. He always gives us a very thought-provoking and sometimes even a few provocative observations.

So we are delighted to have you back, Mr. Secretary, and you may proceed as you wish.

MORE CONTRIBUTIONS BY U.S. ALLIES

Mr. ARMITAGE. Mr. Chairman, thank you very much. On behalf of my colleagues, I thank you for your very kind welcoming remarks. I will try to live up to the advance billing you just gave us.

If you will be kind enough to submit my formal remarks for the record, I will just content myself with some brief opening remarks.

Senator SASSER. Your whole statement will be included in the record, as if read, Mr. Secretary.

Mr. ARMITAGE. The first thing, Mr. Chairman, out of my mouth has to be the truth, and that is that, regarding burdensharing, the allies should, they can, and I believe they will do more.

The time has clearly come to do more. The price of freedom is bearing these burdens of many different types. You just mentioned base rights being a burden, such as the Philippines might be asked to bear; or military burdensharing, such as we have asked somewhat successfully, Japan to share; or political burdensharing, such as West Germany was asked to undertake in the deployment of the Pershing II's; foreign assistance burdensharing, such as we are asking Japan primarily, in my areas of interest, to undertake; human rights and social burdensharing, such as we have asked of our allies in Thailand, who have endured for so many years the tremendous influx of refugees from the Communist Southeast Asian nations.

We are in complete agreement with the chairman and the subcommittee on the need for the allies to do more.

REVIEW ON PAUL KENNEDY'S BOOK

Now, I want to draw, please, your attention to a recent book which has burst upon the U.S. scene. I regard it as quite provocative. It is a book by Yale historian Paul Kennedy called "The Rise and Fall of the Great Powers."

In this rather remarkable work, Mr. Kennedy reviews 500 years of history. He looks at states or coalitions of states which have become great, and he reviews how they, in his view, generally became great, first of all in the marketplace. This economic power then led to political power and, finally, to military power.

He does this from the Ottomans through the Hapsburgs to Napoleon, the British Empire, the Axis powers, and finally to the post-World War II United States.

What sets Kennedy's book apart from other histories is the pattern that he claims exists between a great power's economic position in the world and its prospects for maintaining that position.

As I said, he says the states initially become great in the marketplace by producing goods more efficiently and better than anyone else, and then because of that success they reach out for other territories, other resources. Consequently, they find it necessary to protect those resources, those areas, and they become hegemonic.

He shows how these states fought wars, how they came to war, who won and who lost, and what the consequences of the national policies were, and he leaves us with a warning. The warning is basically that the United States right now is facing a position that he describes as imperial overstretch.

This is a position where states, great powers, have to spend more and more money in maintaining their military position in the world and, consequently, are able to invest or reinvest less and less in their manu-

facturing base. Other states catch up sooner or later, and in a panic the great power then generally goes to war.

This is a provocative thesis, and insofar as it is a historical work I certainly am not the man to challenge Paul Kennedy's view; but I think I, as well as you, can challenge him when he looks to the future. I think I have said before to this subcommittee that when Herman Kahn died, he did not will me or you his crystal ball. I do not think he willed it to Professor Kennedy, either.

It is in his prescription for the future that I begin to take issue with Kennedy's book. He does not give, I think, sufficient attention to the fact that the United States is not like those former great powers.

When we emerged from World War II, clearly we were a great country. We were a superpower. But we were not a great power such as Paul Kennedy speaks about historically. We were not an ethnic nation that mobilized our resources to go after other nations, such as the nations under Victoria or Nicholas I did.

In fact, we are not Germans or Poles or British or French or any of those. We are all of the above, and that is one of the finest sources of strength and legitimacy that we have.

Paul Kennedy in his book bemoans the fact that we do not have a grand strategy. Well, I doubt, the way we are set up in Washington, Mr. Chairman, that we are ever going to have a grand strategy of the type that Mr. Kennedy speaks about.

What we do have is a constitutionally mandated change of power. We have elected officials who are subjected regularly to the review of the population. We have a situation wherein we can adapt to change and circumstance better than any other country has ever been able to do in the past.

Mr. Kennedy also does not make note of the fact that our defense alliances are somewhat different from the alliances of the past. All of ours are freely entered into with mutual consent and for mutual benefit.

Finally, I do not think he gives sufficient attention to the nuclear era. I would maintain to you that the nuclear era, the post-World War II era, has lessened dramatically the possibilities of all-out conventional confrontation between the two superpowers.

So Mr. Kennedy's message is quite frightening to many Americans, but I do not think he has given us the credit to which we are due. But his book and his thesis are being used by many who want to roll back our security commitments around the globe. It is a frightening message, and I fear it has caught on to some extent.

I think Heraclitus was right, Mr. Chairman, when he said that history never repeats itself exactly, and that is also true of the United States.

My plea to this subcommittee and to the Congress as a whole is that, as we wrestle with budget and trade problems, we have to remember that the outbreak of democratic governments and market economies is a garden which we planted, we nourished, and we protected. Every friend of democracy and liberty can contribute to a greater or lesser degree in burdensharing.

But these free societies of democratic governments are by their very nature giving voice to competing interests and perspectives.

So, as we pursue burdensharing with our allies, we have to keep our eye on the fact that these are democratic countries who will be having real debates internally about the wisdom of any course of action.

Finally, I would say that burdensharing discussions must not become a wedge between ourselves and our allies. Discussions should be carefully calibrated calculations of national security to be targeted precisely, be seen as beneficial, mutually beneficial, and be seen as enhancing regional and global security. They must be conducted professionally and in private.

Finally, I think it is very important as we have this very worthwhile discussion today, Mr. Chairman, to keep in mind that U.S. security commitments around the globe are not millstones. I would submit they are cornerstones for economic, political, and security health.

Thank you very much, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF HON. RICHARD L. ARMITAGE

ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)

Mr. Chairman and Members of the Subcommittee:

It is a pleasure and honor for me to appear before you today, together with my colleagues Mr. Woodworth, Admiral Hays, and General Richards. My own testimony concerns burdensharing by countries other than those in Europe and NATO. I will be followed by Mr. Woodworth for that region. Admiral Hays and General Richards will then cover their respective areas of responsibility.

But with your permission, Mr. Chairman, I would like to offer the Subcommittee a few thoughts as a preface to our presentations this morning. I want the members to be completely clear as to what we mean when we use the term "burdensharing." It begins, and ends, with the purpose of the shared endeavors of our alliances -- namely, burdensharing for democracy.

There is no question that the time has come for allies and friends of democracy to bear a greater burden in the defense of freedom. But the true price of freedom represents a mixture of many burdens: military burdensharing, political burdensharing, foreign aid burdensharing, human rights burdensharing, and social burdensharing, as in assisting refugees fleeing war and persecution.

Every ally, and every friend of democracy and liberty, contributes in a greater or lesser degree in each of these areas. All of us can and must do more. In so doing, we must also realize that we are dealing with free societies and democratic governments which, by their very nature, give voice to competing interests and perspectives. I hope that the Subcommittee will be attentive to the broad spectrum of contributions that ensure the continued defense of the free world, shared burdens which are as diverse as the peoples and traditions they protect. Let us never lose sight of the fact that our national interests -- and the purpose of our alliances -- are best served by having allies which are strong, prosperous and free.

Mr. Chairman, your decision to hold this hearing is logical, and one which I welcome. Fiscal realities and related hard choices have dictated that, more than ever, our nation's priorities are being set against the background of an overwhelming preoccupation with budget deficit reduction. This is not all bad, because economic health is a major element of national security, and because the economic cooperation and defense teamwork of our allies should in any case be a principal component of our global efforts.

However, as we approach the job of setting priorities under severe fiscal constraints, and as we structure our cooperative patterns of defense in strategically important areas of the world, we should look beyond the popular ally-bashing rhetoric of a campaign year and acknowledge what the allies are currently doing and plan to do for us, frequently at no small domestic and regional political price. I hope that, after this testimony, you will have a more detailed appreciation of our interests and objectives with regard to defense cooperation in each of these critical geographic regions. I likewise hope that we will have managed to convey successfully the extent of the tangible contributions to the common defense which our allies are providing.

I would like to begin, Mr. Chairman, by setting the record straight about DoD's burdensharing efforts. The Administration believes that our allies can, should and will do more in terms of defense and of third-country development assistance as well. So do we in the Department of Defense. It is both oversimplified and

unfair to believe that senior Pentagon officials have failed in the past to take seriously the issue of burdensharing, have in fact neglected it, and have been satisfied to respond to critics with a knee-jerk defense of existing levels of allied contributions. As you have pointed out, Secretary Carlucci takes this issue very seriously, but his approach represents a continuation of, rather than a departure from, DoD's attitude of the last seven years.

The classic case of "ally-bashing" is that of Japan, which, despite all evidence to the contrary, has been charged with providing relatively less funding today than seven years ago. In fact, the Japanese defense budget for 1981 was less than 10 billion dollars (\$83 per capita); for 1988 it is \$30 billion (\$260 per capita), with very little inflation over the seven-year period. The yen growth rate is not quite as rapid, yet still nearly sixty percent. Most important, there has been a quantum leap in Japanese defense and deterrent capability, which is of course our ultimate concern. A lot of the credit belongs to the Government of Japan, but this Administration has played a role as well.

In 1980, the Carter Administration strongly and publicly criticized Japan's purportedly low level of defense spending. In January 1981, the Reagan Administration stated emphatically that it would not criticize its allies in public, but would discuss defense frankly with them in private, and would do so in terms of roles and missions rather than of static indicators such as real budgetary growth or the ratio of defense spending to GNP. For its part, the United States pledged in 1981 that, in the northwest Pacific, it would provide a nuclear umbrella, offensive projection forces as necessary, and a continued presence in the Republic of Korea. In the southwest Pacific and Indian Oceans, the United States said it would maintain the nuclear umbrella. Finally, we pledged to provide projection forces and sea-lane protection forces where needed, on a world-wide basis.

Within two months, the Japanese replied that they could, despite the limitations imposed by their constitution, defend their own territory, and air and sea-lanes to an offshore distance of 1000 miles. The Administration and Congress supported this statement of the Japanese roles, and encouraged Japanese leaders to achieve the requisite level of capability within the decade. From 1983 to 1985, Prime Minister Nakasone obtained a five percent annual real growth in defense spending, while holding almost all other Japanese Government functions to negative real growth. He then fought for and won approval of a defense plan for the 1986 to 1990 period which was designed to achieve the defense goals established in 1981. Japan has continued to achieve annual defense spending increases of over five percent in real growth terms, breaking the psychologically sensitive barrier of one percent of GNP in 1987 for the first time in twenty years. Japan's defense budget is on the verge of surpassing the British, French, and German levels in 1988, the first year under Prime Minister Takeshita's leadership, and it is projected to be the world's third largest by 1990 at the very latest.

What is truly important, however, is defense capability. Japan lies immediately due east of the key Soviet naval port of Vladivostok, and the main Japanese islands and the Ryukyu Archipelago sit astride key naval and air approaches to the Korean land mass and the mainland of northeast Asia. Japan's self-defense missions, which are being fulfilled in its 1986 to 1990 defense program, achieve the minimum level of capability necessary to meet the critical objective of denying Soviet ships and aircraft coming from the Vladivostok area undetected access to the Pacific and even

the Indian Ocean.

To deal comprehensively with the formidable Soviet presence in the Far East, the Japanese have in excess of fifty destroyers in their maritime self-defense force -- more than twice as many as we do in the Seventh Fleet, which covers all of the Western Pacific and Indian Oceans. By 1990, the Japanese total on hand or on order will increase to sixty destroyers, including two with the "Aegis" air defense system if the Congress does not prohibit this important sale. In terms of antisubmarine aircraft, we have about twenty-three P-3C's in the Seventh Fleet; the Japanese will deploy one hundred at their bases located in close proximity to Vladivostok. The Japanese Air Self-Defense Force now has one hundred F-4 "Phantoms," and will have approximately two hundred F-15 "Eagles" by 1990; by comparison, three hundred is about the number of tactical aircraft we have defending the continental United States.

Thus, Japan will meet its basic mutually agreed defense goals through the realization of its 1986-1990 defense plan. Subsequently, in the 1990's, the Japanese will begin deploying over one hundred F-16's enhanced with advanced Japanese avionics and other improvements, the technology for which they will share with us if we so desire. Further, in its defense plan for 1991 to 1995, Japan will likely achieve an even more comprehensive capability by acquiring an over-the-horizon radar system, long-range early-warning aircraft and tanker aircraft. These weapons systems will make the undetected passage of Soviet aircraft or shipping into the Pacific, or into Japanese territory across the Sea of Japan, severely complicated if not impossible. This projected Japanese capability, complemented by U.S. strategic and enhanced conventional weapons capability, presents a very favorable scenario for continued Pacific deterrence.

Mr. Chairman, you have said that, in the case of Japan, you do not seek the creation of a potentially destabilizing military force in the Far East which most of the countries in that area do not wish to see emerge. I do not believe that the aforementioned increases in self-defense capability which the Japanese Government is considering are destabilizing. Quite the contrary; an increase in Japan's share of the overall allied burden, through acquisition of a capability to meet its agreed self-defense missions more credibly in the 1990's, will markedly strengthen our joint Pacific deterrence posture.

The simplistic calls of some U.S. critics for Japan to spend three percent of GNP on defense threaten stability rather than promote burdensharing. My question is this: what do these critics want Japan to do? Both the Senate and the House voted overwhelmingly in 1987 that Japan should spend three percent of its GNP on defense, despite the fact that all of the capability I have just described can be had for considerably less than two percent. What would the additional funds be used for? A nuclear capability? Offensive projection forces? Some, like Professor Paul Kennedy, speak of carrier task forces and long-range missiles -- is that what Congress wants? Would that enhance stability in East Asia?

Bashing a key ally is, to say the least, not an edifying spectacle, viewed from either Washington or Tokyo. For one thing, the critics are unclear, and, at times, contradictory. A bill now pending in the House would ban the sale of the "Aegis" weapons system to Japan. At the same time, however, some House supporters of the bill have commended to DoD a piece of Japan-bashing testimony before the House burdensharing hearings, which criticized Japan for not buying "AWACS." Is "AWACS" permissible, but "Aegis"

not? Japan is presently license-producing the F-15 fighter and the P-3C antisubmarine aircraft. Is this dangerous to our security? The Japan Defense Agency is not the Toshiba Machinery Company. The former has a perfect record, covering more than 30 years, of protecting U.S. technology. The latter was punished for its violations by the Japanese Government, which last September pledged over \$300 million to fund joint antisubmarine warfare projects designed to enhance U.S.-Japanese capability to detect quiet Soviet submarines.

You have stated, Mr. Chairman, that the apparent price of maintaining U.S. military forces in some foreign locations will be higher "rent" payments in the form of foreign aid. Such is definitely not the case with Japan. Our major bases and more than 100 other military facilities in Japan are provided to us totally rent-free, and our nuclear-powered and nuclear-capable forces visit Japan frequently without restriction. In 1988, the Government of Japan will spend over \$2.5 billion on behalf of 55,000 U.S. service personnel on duty there, or more than \$45,000 per person, under one of the most generous host nation financial support arrangements the U.S. enjoys anywhere in the world. This \$2.5 billion includes more than \$650 million for new facilities for the U.S. forces in Japan -- making our requests to Congress for military construction in Japan almost nil -- and more than \$250 million in local labor costs, which comprises more than 30 percent of our total. As a part of Japan's "Persian Gulf Package" announced last October 6th, Japanese spending for facility and labor costs for U.S. forces in Japan is increasing by \$100 million in Japanese Fiscal Year 1988, and the Japanese Government is committed to picking up more than \$100 million in additional labor expenditures by 1990, bringing their total to more than 50 percent of our costs for labor.

Mr. Chairman, you have proposed the conclusion of a multi-lateral defense compact to create a fund to provide economic and security assistance to less wealthy countries which agree to the basing of allied forces and equipment on their soil. It is not likely that Japan would be able politically to participate in a compact providing such security assistance; however, the Administration has urged Japan to increase its overseas development assistance to strategically important countries such as the Philippines, Pakistan and Turkey, and Japan has voluntarily agreed. One consequence was a 1987 Japanese pledge of over one billion dollars in aid and loans to the Aquino Government.

A positive, well-reasoned, and supportive U.S. approach to Japan on defense issues since 1981 has produced excellent results, a real success story. This success has been achieved, Mr. Chairman, by an extremely active dialogue between the Administration and the Government of Japan. Since 1981 this dialogue has centered on specific burdensharing measures based on the division of roles and missions discussed above. The dialogue is ongoing, and will continue without any slackening of our efforts. I emphasize again, however, that we started in 1981 -- we did not wait for this hearing to get going!

If the optimal defense posture for Japan, in terms of its agreed missions and the predilections of its neighbors, requires the expenditure of only a relatively small percentage of its wealth, then I think you would agree that we should actively encourage Japan to increase its foreign economic assistance, as the Administration and Senators Nunn and McCain have done. Japan has doubled and redoubled its aid program since 1979, and is now engaged in a third redoubling program. The Japanese "Persian Gulf Package" of last October included \$500 million for Oman and Jordan,

as well as funding for a precision navigation system costing between \$7 and \$9 million which will enhance the ability of all nations to navigate safely. Japan's total aid budget for 1988 is over \$10 billion, which exceeds that of the U.S. in both absolute amount and in percentage of GNP, but, significantly, still falls below 0.5 percent of Japanese GNP.

Greater, untied and strategically-targeted Japanese aid programs would of course have an immensely beneficial impact on both regional and global stability, and could do so without causing political friction between our two great countries or between Japan and its Asian neighbors. This result will not be achieved by beating Japan about the head and ears, however. Instead, rather than snatching defeat from the jaws of victory, we should be encouraging Japan both to continue the steady progress it is making in its defense efforts, and to build upon its strategically oriented economic aid program. In short, let us appreciate the positive benefits of Japan's defense efforts and other cooperative support, wage further efforts at every opportunity, and stop the uninformed, illogical, and damaging criticism of this crucial ally.

Korea, like Japan, deserves a better reputation with regard to burdensharing than it has generally been awarded. About 34 percent of the Korean Government's annual budget is spent on defense. This comprises an average annual defense expenditure of 5.5 percent of GNP. Examples of Republic of Korea burdensharing include:

- providing the U.S. with rent-free bases, reduced water and electricity rates, and 3,000 Korean Service Corps laborers;
- purchasing a high percentage of its military equipment and materiel from the U.S. to maintain interoperability of forces;
- funding construction costs of \$695 million over the last 12 years under the combined Defense Improvement Projects Program;
- making available about 7,200 Katusa (Korean Augmentation to U.S. Army) personnel, each of whom serves 30 months with U.S. units (we pay the Katusas' living expenses, while Korea provides their salary and basic training); and
- sharing the costs of combined headquarters activities. (Additional Korean sharing of support costs, such as those for communications, is under negotiation.)

Japan and Korea are the only allies in the East Asia/Pacific region to whom we can look for a sharing of our defense load. However, before shifting my geographic focus, I feel constrained to say a few words about the Philippines, not as a source of burdensharing but rather as a recipient of its benefits.

The Congress has made clear, time and again, its strong support for President Aquino and for our military presence in the Philippines. Our bases there are visible evidence of our commitment to assist in the defense of the Philippines, and also permit the U.S. to maintain a regional presence in the air and waters of Southeast Asia. This forward deployment directly serves our national security interests.

More to the point in the present context, our presence in the

Philippines provides the added bonus of instilling confidence in our friends and allies regarding the strength and credibility of our combined defense. For this reason, the Philippine bases are not the exclusive concern of the U.S. I have already referred to Japan's pledge of over one billion dollars in Philippine aid and loans in 1987. Other countries, among them Korea and Australia, have openly supported the U.S. presence in the Philippines, and have indicated their support directly to the Aquino Government.

A bi-partisan Congressional group headed by Senator Cranston, Senator Lugar, Congressman Solarz and Congressman Kemp have proposed a Marshall Plan-style program for assisting the Philippines. This initiative, if supported by donor nations in the region, including Japan and the ASEAN countries, as well as by some European nations and by international organizations such as the World Bank, could lead to the timely creation of a proper mechanism to assist the Aquino Administration in achieving the increased economic and political stability which it seeks and deserves.

Even though this approach is essentially regional rather than global in scope, it would seem, Mr. Chairman, to fulfill your own central objectives for international cooperation in the assistance field. I therefore believe that you will welcome the fact that initial steps have already been taken to develop a multinational, regionally oriented consortium of Philippine donors, and the preliminary outlook appears favorable. The generation of such a source of assistance in the near future is particularly crucial in light of the upcoming formal review of the U.S.-Philippine Military Bases Agreement, since Philippine expectations of aid are rising significantly, and are sure to be higher than ever during the remaining years of the present agreement and beyond.

I would now like to address our efforts in the Persian Gulf, and place them in the larger burdensharing context which is our principal concern today.

As DoD witnesses have testified on other occasions, we recently refined our overall Persian Gulf force levels somewhat by rotating assets with redundant capability -- most notably, the battleship Iowa and the amphibious assault ship Okinawa with its mine clearing assets. This restructuring is part of our constant reassessment of force requirements, and does not represent any change in our policy or any weakening of our capability. We currently have approximately 25 ships in the Persian Gulf/North Arabian Sea area, but this number will continue to fluctuate somewhat. The important thing is that our steadfast commitment, along with our capabilities, will remain a constant as long as our presence is required.

The incremental cost of our Persian Gulf operations is a little under \$15 million per month, and is projected to stabilize at about \$10 to \$12 million per month. Actual FY 87 costs were approximately \$74 million. We estimate the costs during the first quarter of FY 88 to be about \$45 million. Payment is made out of appropriated service operating funds, largely generated by reducing other ship at-sea times so that more is available for the Persian Gulf.

Many of our allies and friends are sharing in the costs of our Persian Gulf operations, even though some of their assistance is admittedly difficult to quantify in fiscal terms. For example:

- Japan, through its "Persian Gulf Package" which I have already outlined for you, is currently providing over \$600

million in support, in such diverse areas as offsetting U.S. forces costs in Japan, assisting the Governments of Oman and Jordan, and funding a sophisticated new navigation system. Japan is also already committed to the funding of a variety of future costs directly or indirectly affecting the U.S. role in the Gulf.

- Kuwait has, for several months now, been providing free fuel for our ships, the value of which ranges around \$5 million per month. This has enabled us to reduce significantly our own fuel costs, from the \$15 to \$20 million per month we were estimating earlier.
- Several Gulf Cooperation Council states have made arrangements with us -- some of them cost-free -- whose value is, unfortunately, not easy to quantify. These arrangements provide for port visits (which may also involve fuel procurement), as well as for maintenance, support and logistics through-put of many kinds, all of which reduce the costs of our own equivalent requirements. We also receive from these states, cost-free, barge and tug support which is valued at several million dollars. I would be pleased to elaborate on this support in closed session.
- A number of our European allies, specifically the United Kingdom, France, Italy, the Netherlands and Belgium, have -- as you all know -- committed naval forces to the Persian Gulf. For some, their naval commitment is quite significant when compared to their total force structure. The United Kingdom, for example, monitors a larger number of ships than we do. We do not know with certitude precisely what allied incremental costs are, but, using our own expenditures as a rough yardstick, they are substantial. You should also be aware that this on-site naval activity does not encompass all of the European contribution; in complementary actions, Germany and Norway have strengthened their Mediterranean commitment, which provides us greater force flexibility for our Gulf mission.
- Saudi Arabia is also contributing, by providing our forces with early warning assistance through its AWACS orbits. The value of this is, again, difficult if not impossible for us to quantify. However, without that critical asset -- along with the associated air patrols -- we would have no choice but to increase our own force levels (and our costs) accordingly.

Finally, I would be remiss if I left the subject of Persian Gulf cooperation without pointing out to you that, frequently, U.S. domestic reluctance -- or even political inability -- to sell meaningful defense equipment to friendly Arab states has a very direct and negative impact on the U.S., particularly during operations like this. We profess to want the countries of the region to have an effective military capability to deal with obvious threats. In addition, we recognize that it is prudent to sell our friends systems compatible with our own, in order to provide for contingencies requiring direct U.S. intervention. Similarly, we also need to consider interoperability with other forces, like those of Egypt. Many of you have visited the countries to which I am referring, and have personally seen the exceptionally modest forces they possess. There is, therefore, a serious flaw in our position which we need to face up to.

It seems basic to me that the U.S. should agree to commit our forces -- and accept the inherent risks to our own young people -- only after regional forces have demonstrated very clearly that they are not able to contain a threat. A U.S. refusal for political reasons to sell defense equipment which we judge to be legitimate and reasonable for self-defense actually constrains us to make an earlier commitment of U.S. forces in contingencies, and also would frequently require us to draw an emergency supply of key items from our own service stocks -- making the impact of contingencies doubly negative. This is not, in my view, a wise and prudent policy approach.

Our review of foreign arms requests considers many things: level of technology, availability, absorptive capacity, and the overall impact a given sale might have in the Arab-Israeli context. We have not, and will not, intentionally advocate any sale which could have an adverse impact in that context. We simply have to find ways to be more realistic and responsive on issues like this, which affect both our forces and our budget, and potentially impact on the lives of our sons and daughters.

Mr. Chairman, my fellow witnesses and I have been doing our best to increase burdensharing in Europe, the East Asia/Pacific region, and the Near East/South Asia region. As you have pointed out, there is work to be done before burdensharing becomes as widespread and ample as it should be within each of these geographic areas, and we are doing that work now, as we have been for the past decade. At the same time, the present record is clear: our allies and friends are contributing on a large scale, and in a wide variety of ways, to our common security, and are successfully assuming the crucial missions upon which we have jointly agreed. Attacking them indiscriminately accomplishes nothing. The ongoing bilateral and multilateral discussions in which we are engaged are the best -- and probably the only -- means by which we can achieve an optimally fair distribution of security-related responsibilities while assuring the continued fiscal integrity of all.

DEPUTY ASSISTANT SECRETARY OF DEFENSE (EUROPEAN AND NATO
POLICY)

STATEMENT OF HON. JOHN H. WOODWORTH, DEPUTY ASSISTANT SEC-
RETARY OF DEFENSE (EUROPEAN AND NATO POLICY)

BURDENSARING AND BASE RIGHTS

Senator SASSER. Secretary Woodworth.

Mr. WOODWORTH. Thank you, Mr. Chairman. As did Mr. Armitage, I have a prepared statement, and with your permission I would ask that it be submitted for the record. I would wish then to summarize some points from it.

Senator SASSER. It will be included in the record as if read.

Mr. WOODWORTH. I, as others on the panel today, appreciate the opportunity to meet with you to discuss the issues of burdensaring and base rights. We want to assure you, and I do, that we take these issues seriously and that we are working to find new ways to enhance the sharing of roles, risks, and burdens with our allies.

As a global power, the United States faces many threats to its interests, and, as Secretary Carlucci recently noted, we are fortunate because we do not have to defend these interests nor pursue the causes of freedom and world peace alone. We do so with the cooperation and assistance of our many friends and allies.

The contributions of our friends and allies are sometimes perceived as neither timely nor sufficient, and I want you to be certain that we, indeed, share the view that this perception is not altogether unwarranted.

We agree that our allies can and should do more, especially those nations whose performance is well below average.

However, our allies are also making a substantial contribution to the common defense, we believe considerably more than is generally recognized. Any thoughtful analysis should take this into consideration from the beginning.

RELEVANT CRITERIA IN BURDENSARING

As you know, our annual report to the Congress describes and analyzes a variety of criteria relevant to the burdensaring equation, such as the percentage of gross domestic product that a nation allocates to defense and the number of divisions or combat aircraft that a nation provides and maintains for the alliance. Numerous other quantifiable as well as intangible factors are also taken into account.

Over the past several years, these reports have been subjected to the review and scrutiny of experts both within and outside the Government, and we have been pleased with the reception accorded those reports.

We believe we have been successful in our effort to provide a comprehensive, accurate, and objective report on this complex subject. These high standards are maintained in the 1988 report, which we will be providing to the Congress shortly, and in an unclassified version of the same report which we will have next month.

Now, the record of contribution to the common defense provides much in which we can take satisfaction, but for the future the fact remains that the alliance, including the United States, must do more in order to assure the credibility of the West's security posture.

SOVIET MILITARY FORCE

The stark reality of Soviet military force in Europe cannot be ignored. In addition, there is the risk of premature, if not dangerous, euphoria over the prospects of Glasnost and the alleged defensive reorientation of Soviet forces.

The hard facts are that Soviet forces outnumber NATO forces and are offensively oriented. Soviet planning does not emphasize defense but calls for early and decisive offensive operations and the seizure of territory.

Over the last 2 years, Soviet military spending and investment in military forces have increased. The Soviets continue to allocate some 15 to 17 percent of their GNP to the military.

Soviet discussions regarding reasonable sufficiency may portend possible changes in Soviet military force posture, military investment and spending, but as of now we have not yet seen concrete evidence of real change.

I would just note in this connection that in our meetings last week with Minister of Defense Yasov this subject was discussed in general terms. Secretary Carlucci questioned him closely about these supposed changes in Soviet policy and practice. While the discussions were interesting, they nonetheless did not reveal to us any of the concrete evidence for which we have been looking.

The hard facts leave us with no choice but to maintain our vigilance and defense capability for the foreseeable future and, as has already been proved in dealing with the Soviets, further progress in arms control will depend on the credibility of our nuclear and defensive posture.

Although we are convinced that the United States and our allies must do more to maintain a credible defense, we also recognize that more can be done by making better use of resources we have available.

ARMAMENTS COOPERATION

For example, armaments cooperation, properly pursued, reduces wasteful duplication in the use of R&D resources. Further, it generates standardized and interoperable equipment, an important gain for nations that would fight on the same battlefield against a common enemy.

The 1985 Nunn amendment for cooperative R&D was an important step. We now have 12 programs underway, with several others under consideration. The funding shares identified show European commitment to fund two-thirds of this activity.

The NATO common funded infrastructure program is now reaching nearly \$1.8 billion annually. The United States contributes some 28 percent of the funds, while our NATO allies provide the remaining 72 percent.

Some 30 to 40 percent of the funds support U.S. force requirements, while an additional 25 to 30 percent provide for joint use requirements that contribute to the basic warfighting capability of all allied forces. We are continuing to look at ways that we might further expand the usefulness of this program.

In 1985, the alliance launched a major initiative to improve conventional defense, primarily by concentrating on certain agreed critical deficiencies and designing active measures to correct or ameliorate these problems.

CONVENTIONAL DEFENSE IMPROVEMENTS

After completing the first 2-year cycle of NATO defense planning with conventional defense improvements highlighted force goals, the implementation rate reflects some encouraging results. However, as a general rule, larger nations generally had the highest implementation rates, while smaller nations had low-implementation rates.

Part of the European contribution to the conventional defense improvements effort is peacetime and wartime host nation support. This reduces the cost to the United States of combat forces committed to NATO.

Peacetime support includes the joint use of installations where the infrastructure is provided by the host nation. Wartime host nation support includes the operation of over 70 colocated operating bases identified to support U.S. reinforcing aircraft. In wartime, Germany alone will provide 93,000 military personnel and further civilian support for United States forces.

There are other tangible and intangible examples of alliance support and cooperation, such as our successful gulf policy in conjunction with our allies.

The INF Treaty underscores the political will and determination of the alliance, the ongoing effort of the alliance to maintain the 401st Tactical Fighter Wing in southern Europe, and the recognition of the continuing need established well before the INF Treaty, for pressing ahead with conventional force improvements and other initiatives for strengthening flexible response—all of which are examples of important joint efforts.

But at the same time, we are well aware of the reasons and the need for finding ways to enhance the sharing of roles, risks, and burdens with our allies. The President, as you know, raised this issue at the recent NATO summit in Brussels, and we intend to follow that up.

We are in the process of establishing some special organizational arrangements in the Department of Defense and for use on an inter-agency basis to develop and coordinate specific initiatives which might be undertaken in conjunction with our allies with the specific intent of equitably strengthening our collective defense efforts.

This effort will include obtaining the counsel of prominent individuals outside the Government who have deep experience in our cooperation with our allies, in order to gain new ideas on how to reinforce achievement of our near-term and long-term goals for sharing the roles, risks, and burdens of the alliance.

The Secretary has also put particular emphasis on the importance of the burdensharing issue in his contacts and meetings with allied officials, including his counterpart ministers of defense of the alliance.

It is noteworthy that, following his recent trip to Washington, Minister of Defense Woerner of the Federal Republic of Germany cited the importance of this issue and suggested the formulation of concrete proposals on burdensharing.

The point is that our allies are also looking for ways to advance our collective objectives. We are encouraged by this. As these efforts progress, we will keep the Congress informed.

That concludes my summary, and I look forward to responding to any questions you might have.

[The statement follows:]

PREPARED STATEMENT OF HON. JOHN H. WOODWORTH
 DEPUTY ASSISTANT SECRETARY OF DEFENSE
 (EUROPEAN AND NATO POLICY)

Mr. Chairman, members of the subcommittee: I appreciate the opportunity to appear here today to discuss burdensharing and base rights within the NATO Alliance. We do indeed take these issues seriously and we are working to find new ways to enhance the sharing of roles, risks, and burdens with our allies.

The United States is a global power and faces many threats to its interests, but, as Secretary Carlucci recently noted, we are fortunate because we do not have to defend these interests nor pursue the causes of freedom and world peace alone: we do so with the cooperation and assistance of our many friends and allies. Indeed, without the active support of our friends and allies we could not adequately protect our interests, or we could do so only at far greater cost and risk to ourselves.

The contributions of our friends and allies are sometimes perceived as neither timely nor sufficient. I am not here to tell you that this perception is entirely unwarranted, although we do firmly believe that our allies make a substantial contribution to the common defense -- considerably more than is generally recognized. At the same time, we agree with you that they can and should do more, especially those nations whose performance is well below the average.

Our allies must accept their full share of the roles, risks, and burdens of the Alliance. Without both the fact and perception of an approximate fairness in the distribution of the defense burden an Alliance of free and independent nations, such as NATO, cannot long endure. To ensure such a result is a difficult task. Alliances and partnerships among sovereign states, each with unique interests and perspectives, are difficult to mobilize for concerted action. But with vigorous leadership on our part, I am confident that we can achieve a result that will be acceptable to all interested parties.

The Department works continuously to improve and refine the means we have available to us to measure and promote equitable burdensharing. Our major annual report to the Congress on Allied Contributions to the Common Defense should be forwarded shortly. An unclassified version of this same report will be available next month.

The report describes and analyzes a variety of criteria relevant to the burdensharing equation, such as the percentage of gross domestic product that a nation allocates to defense, and the number of divisions or combat aircraft that a nation provides and maintains for the Alliance. Numerous other quantifiable as well as intangible factors are also taken into account.

We have long recognized that the importance accorded to our report depends entirely on the accuracy of its statistics and the rigor and objectivity of its analysis. The succeeding annual reports have been subjected to review and scrutiny by countless experts both within and outside the government, and we have been pleased with the reception accorded the document.

There can, of course, be honest differences of opinion about the relative importance of the various criteria that have been developed. Therefore, an element of judgment is involved in drawing conclusions about burdensharing performance. However,

over the years we have sought -- I believe successfully -- to provide a comprehensive, accurate and objective report on this admittedly complex issue. Every effort was made to ensure that these high standards are maintained in the 1988 Report, to be provided shortly to the Congress.

While the record of contribution to the common defense provides much in which we can take satisfaction, we believe that for the future, the Alliance -- including the US -- must do more in order to ensure the credibility of the West's security posture. We are working with our allies to increase their individual and collective efforts and to improve the efficiency of the Alliance's use of the resources available to it.

While real growth in US defense spending significantly exceeded the average growth rate of non-US NATO defense spending during the 1981-1986 period, estimated figures for 1987-1988 show that pattern is now reversed. US real defense expenditures are now declining while many of our allies show defense budgets that are growing at least modestly. This was also true during the decade of the seventies when US spending declined by 13.6%, while that of our allies increased by 20.3%. For 1987, several of our NATO allies estimated defense spending increases of about three percent or more, thereby meeting the NATO goal (Greece, Italy, Luxembourg, Norway, Spain, and Turkey). The United States increase for 1987 was only 0.1 percent and in 1988 will show a decline of about 3.2-3.4 percent.

There are other factors that must be considered in any comparison or analysis. For example, the majority of NATO committed military manpower is provided by the Europeans. Standing non-US NATO forces are about four million strong while United States forces number somewhat over two million. When mobilized strength is included, the non-US NATO allies outnumber the US seven million to 3.5 million. In a NATO war, 60 percent of the ground forces, over half of the air forces and some 35 percent of naval tonnage (including the United States Pacific Fleet but excluding strategic submarines) would be European.

Neither can we avoid the stark reality of Soviet military force in Europe: 70 percent of the USSR's conventional forces are available for use against NATO. The Warsaw Pact has a 2:1 advantage over NATO in main battle tanks. It has a 3:1 advantage in artillery and other armored vehicles, and more than a 3:1 advantage in surface-to-air missiles. A key objective appears to be to intimidate Western Europeans through their fear of war, so that the Soviet Union can neutralize and dominate those countries.

There is the risk of a premature, if not dangerous, euphoria over the prospects of Glasnost and the alleged defensive reorientation of Soviet forces. We have also been watching what is being said about a Soviet doctrinal concept of "reasonable sufficiency" by various Soviet leaders and writers. They appear to be suggesting that such a doctrine might permit shifting some resources from the military to the civilian sector.

At this point it is too early to conclude whether this Soviet discussion or debate is primarily a propaganda effort to portray the Soviet Union as peaceful and defensive, or whether it portends possible changes in Soviet military force posture, military investment and spending. Consequently, we must continue to look at the hard facts:

- Soviet forces are offensively oriented and generally outnumber those of NATO.
- Soviet military planning, instead of emphasizing defensive

operations, calls for early and decisive offensive operations and the seizure of enemy territory.

- During General Secretary Gorbachev's first two years in power, Soviet military spending and investment in military forces have increased. The Soviets have continued to allocate about 15-17 percent of the GNP to the military, and military spending has increased about three percent a year.

We believe that the inescapable conclusion is that we all -- US and allies alike -- must maintain our vigilance and defense capability for the foreseeable future, and that further progress in arms control will depend on our ability to maintain a credible nuclear and conventional defense posture.

While we remain convinced that all the allies should commit more to defense, we also recognize that we can buy more security with the funds available. For example, greater cooperation among NATO nations in all aspects of our defense programs -- from research to development to production -- has great potential.

Armaments cooperation, properly pursued, reduces wasteful duplication in the use of R&D resources and increases the efficiency of defense production through economies of scale. Further, it generates standardized and interoperable equipment, an important gain for nations that would fight on the same battlefield against a common enemy.

The U.S. Congress has taken the lead in recent years through the 1985 Nunn Amendment, which authorized \$200 million for cooperative R&D and \$50 million for comparative test and evaluation with NATO countries. Memoranda have now been signed on 12 Nunn Amendment-funded projects, and others are under consideration. Of the programs with signed memoranda, funding shares identified show a European commitment to fund two-thirds of the development.

The NATO Common Funded Infrastructure Program offers additional opportunities to make better use of the limited funds we have available and is an important element in the burdensharing equation. The program also plays an important role in our effort to narrow the conventional capabilities gap. The US contributes some 28 percent while our NATO allies jointly share the remaining 72 percent of the costs of the program. Some 30-40 percent of the funds support specific US force requirements. An additional 25-30 percent of the program provides for joint use of facilities and equipment that contribute to the basic war fighting capability of all allied forces.

Total funding for NATO infrastructure is now reaching nearly \$1.8 billion annually. Roughly 90 percent of the program directly supports conventional defense improvements, such as protective aircraft shelters, essential operating facilities at air bases, materiel storage facilities, pipelines, reception facilities, and communications modernization programs. Other key projects are coming into being with increasing frequency.

We are also studying ways that we might further expand the usefulness of this important common-funded program. But we do not advocate common funding of certain types of projects such as barracks, dining halls, family housing, and other personnel support facilities. The potential costs associated with the provision of similar facilities for other nations and wide variations in national standards render NATO common funding of such projects not only impractical, but economically imprudent.

Facilities of this type are better and more economically provided through U.S. military construction programs.

For the Fiscal Year 1989 Amended Budget, US funded construction requirements in Europe and Iceland total \$1.1 billion, including \$502 million for the US contribution to the NATO Infrastructure Program.

The improvement of working and living conditions in Europe continues to be a high priority goal with almost one-half of the construction budget devoted to these programs. The FY 1989 budget requests \$92 million for personnel and community support facilities including child development centers, barracks, dining halls, physical fitness centers, and family housing. Dependent schools account for \$51 million of the budget and \$95 million is required to satisfy US requirements for essential medical and dental support. An additional \$54 million is for essential modernization and facility upgrade projects.

The Army has budgeted \$44 million to continue modernization efforts at Vilseck, Germany and some \$51 million for facilities to beddown the AH-64 Apache helicopter battalions. NATO Infrastructure eligibility is being requested for the helicopter facilities; however, MilCon funding must continue to meet critical deployment schedules. Facilities construction totaling \$37 million is requested for the Army's Combat Maneuvering Training Center at Hohenfels, Germany which will provide critical assessments of combat readiness levels.

The Air Force continues to program projects that increase airfield survivability and operability. Projects for alternate combat runways, passive defense equipment storage, and the Weapons Storage and Security System (WS3) are included in the FY 1989 request. NATO decisions on eligibility for the WS3 program should be known in mid-year.

We clearly need to continue to improve the Alliance's conventional force posture. Without seeking to match our opponents man-for-man or tank-for-tank, we want to improve NATO's capabilities so that it is clear that we would be able to frustrate a major Warsaw Pact offensive without the necessity for early recourse to the use of nuclear weapons.

In 1985, the Alliance launched a major initiative to improve conventional defense, primarily by concentrating on certain agreed critical deficiencies and designing active measures to correct or ameliorate those deficiencies. This commitment to a Conventional Defense Improvement (CDI) effort has now been incorporated into NATO's force planning process and serves to focus the wide-ranging activities of the Alliance and its member nations on those areas most needing attention.

Part of the European allies' contribution to the CDI effort consists of peacetime and wartime host nation support, which reduces the cost to the United States of combat forces committed to help defend NATO. Peacetime host nation support includes the joint use of installations where the infrastructure is provided by the host nation, including improvements to ports, roads and airfields in anticipation of wartime requirements.

Wartime host nation support to NATO is also substantial. The allies will operate over 70 collocated operating bases identified to support USAF CONUS-based reinforcements. Germany alone plans to provide 93,000 military personnel for the wartime host nation support of United States forces. Further civilian support will be provided from the German economy and will include functions such as the provision of transportation,

maintenance, telecommunication services, facilities, civil labor expendable supplies and foodstuffs.

Another example of increased cooperation of our allies is the significant support they have provided for our successful Gulf policy. Some of our NATO allies -- notably the United Kingdom, France, the Netherlands, Belgium, and Italy -- are providing extensive naval support for these Gulf operations, including combatants, mine sweeping assets, and support vessels. In addition, Germany and Norway have augmented their Mediterranean assets, allowing us greater flexibility. Japan, too, is contributing funds for the installation of a Gulf navigation system which will assist all nations in those waters.

Finally, I should cite INF as an outstanding example of Alliance cooperation, and of sharing of risks and burdens. The agreed deployment of United States PERSHING II and Ground-Launched Cruise Missiles underscored the political will and determination which led to the successful negotiation of the INF Treaty.

The Treaty will significantly reduce military threats to NATO. Under its provisions the Soviet Union will eliminate forces with deployed missiles capable of delivering over 1,600 nuclear warheads. This includes shorter-range Soviet systems which also have conventional and chemical warfare capabilities. This will greatly reduce the Soviet Union's ability to execute rapid strikes throughout Europe without resorting to strategic systems. In addition to relieving pressures on our own nuclear forces and elements of their command and control, this will increase the survivability of the airbases, ports, depots, and other facilities vital to NATO's conventional defenses. Also, because many of the Soviet INF missiles can reach a large portion of Asia, the INF Treaty will enhance the security of our friends and allies in that part of the world.

In expectation of the ratification of the INF Treaty we are examining with our NATO partners how to make sure that our remaining theater nuclear forces are responsive, survivable and effective. In so doing, we will seek to ensure that the burden and risk of NATO's nuclear deterrent remains widely shared.

As noted in our report on Support of NATO Strategy in the 1990's (PL 100-180, the Byrd Amendment), the Alliance still faces the pressing need to revitalize and strengthen military capabilities in the 1990's, as was the case prior to the INF agreements. The nuclear and conventional modernization and improvement programs which NATO has under way are founded on consistent Alliance policy direction and extensive military planning.

With respect to nuclear forces, these requirements stem most directly from NATO's 1983 decision taken by Defense Ministers at Montebello to modernize NATO's theater nuclear force posture. The program calls for a range of measures to ensure that NATO's nuclear weapons are responsive, survivable, and effective.

NATO must continue with the modernization of its remaining nuclear forces. Programs which have high priority include: development of a dual-capable (nuclear-conventional) longer range follow-on to the LANCE surface-to-surface missile system; development of a tactical stand-off air-to-surface missile (TASM); modernization of nuclear artillery projectiles, dual-capable aircraft, and nuclear bombs; and continued improvement in nuclear security and survivability. None of these programs is constrained by the INF Treaty because the agreement does not limit systems with ranges less than 500 kilometers or dual-capable aircraft.

The NATO Nuclear Planning Group (NPG) is reviewing how the theater nuclear force posture might be further adjusted in light of the security situation following implementation of the INF Agreement. We are consulting with our allies in the NPG and will address such adjustments, which reinforce stability and NATO's force improvement programs.

With respect to conventional forces, the need for substantial improvements was well established long before the Soviets returned to the INF negotiating table. Areas of continuing need covered by the CDI effort but which may be particularly relevant to the post-INF situation include reinforcement, Follow-on Forces Attack (FOFA), and the counter-air mission in all its dimensions. Moreover, given the massive Soviet chemical arsenal, modernization of US retaliatory chemical weapons also is crucial to our ability to deter at any level of conflict. In addition to pressing ahead with these and other ongoing programs, we will explore certain adjustments to our conventional force structure as well as new initiatives for strengthening flexible response. For example, we will vigorously pursue the potential for longer range air- and sea-launched cruise missiles for a wide range of missions.

Ultimately, the strength of our military posture will depend on whether NATO nations will sustain the political will to take steps necessary to ensure their security. To strengthen our security posture and to maintain the effectiveness of the Alliance as it enters its fifth decade, NATO political and military leaders will have to work harder at not letting our citizens forget the basic lessons we have learned about Soviet respect for strength and how they are prepared to exploit weakness.

At the same time we need to find new ways to enhance the sharing of roles, risks, and burdens with our allies. The President raised this issue at the recent NATO Summit in Brussels, and we intend to follow up with a vigorous effort with all of our Alliance partners. We are now exploring a number of substantive initiatives and procedural options and we will keep the subcommittee advised as the matter progresses.

As part of our strategy of forward defense, the US has maintained military facilities in various strategic locations throughout the world. The military installations we use in NATO's southern region contribute directly to our ability to perform our roles and missions. The following is a brief summary of the status of our base rights in the southern region:

Spain. The US maintains the following military facilities under the 14 May 1983 Defense and Economic Cooperation Agreement that expires in May of 1988: Torrejon AFB - 401st Tactical Fighter Wing (79 F-16s), MAC terminal and 16th Air Force Headquarters. Zaragoza - Use of gunnery range for European-based US air crews and operations for KC-135 tankers. Rota - Naval facility and runway. Moron - Standby air facility. Current negotiations for renewal of the 1983 agreement began in July of 1986. A key unresolved issue stems from the Spanish insistence on withdrawal of the 401st TFW from Torrejon, to which we acceded in January. Our NATO allies consider it very important that this valuable military capability remain in Europe, and we are exploring possible ways and means of doing this, consistent with the conditions imposed by the Congress. We are hopeful that negotiations can now be rapidly concluded for the remainder of the facilities.

Portugal. Pursuant to the 1983 base agreement, the US maintains an air base at Lajes in the Azores and intends to construct a space surveillance facility on the mainland. Under the terms of the agreement, which expires in February of 1991, the Portuguese can ask for a review of the agreement in 1988.

The new Portuguese government has indicated its dissatisfaction with reductions in the US Security Assistance Program that was cut from \$125M to \$80M in FY 1987 and to \$82.5M in FY 1988 and has called for "consultations," which we expect to begin soon.

Greece. The US maintains an air facility at Hellenikon, a communications station at Nea Makri, a reconnaissance operation at Iraklion, and a logistic support facility at Souda Bay. Renegotiation of the agreement, which expires 31 December 1988, began in November and is continuing. Prime Minister Papandreu has indicated that once an agreement is reached, he intends to hold a referendum to gain popular approval.

Turkey. The US maintains an air facility at Incirlik, and elsewhere in country a Loran C Station, communications facilities, and intelligence and seismological stations under an agreement signed in March 1987. Ratification of the agreement was postponed, however, because of Ankara's concern with legislation pending in the U.S. Congress, e.g., Armenian Resolution, 7-10 ratio applied to the Southern Region agreement, resolutions on Cyprus, and likely cuts in security assistance. The DECA was subsequently ratified in February of this year.

While under terms of our new agreement Spain will no longer be provided security assistance, there is no question that Turkey, Portugal and Greece will continue to look to the US for augmentation of their own sizeable contributions to Western security - and as a good friend and ally, this should seem both proper and fair to us. Indeed, the provision of necessary and added support to enhance the ability of these countries to meet their NATO assigned missions is directly linked in the mind of their officials and public opinion to their participation in the Alliance.

Recent Congressional emphasis on deficit reduction has required us to explore ways to augment our security assistance to these allies. The Southern Region Amendment to the Defense Authorization Act for FY 87 permitted the US to provide defense materiel to Greece, Portugal and Turkey that was excess to the needs of the US military forces. Two tranches of equipment have been offered these countries to date, and a third is being prepared. We believe that the SRA is providing a substantial boost to our efforts to strengthen Southern Flank conventional force capabilities. However, while this legislation can supplement our present support, it does not lessen the need for adequate levels of security assistance.

It is also our policy to encourage these three allies to help themselves. With this in mind, we are seeking ways to assist them in developing their indigenous defense industrial bases so that they can participate more fully in armaments cooperation and coproduction programs. We view security assistance and arms cooperation programs for the Southern Flank countries as going hand-in-hand. While security assistance to obtain equipment is necessary to strengthen current capabilities to meet the threat, additional assistance will remain necessary to foster indigenous capabilities wherever practicable. We have also encouraged the provision of assistance from the other NATO allies and many have at various times responded with programs of their own. We will continue to call for such assistance in the future.

Mr. Chairman, that concludes my prepared statement, and I look forward to responding to the subcommittee's questions.

DEFENSE ADVISEMENT ON BURDENSARING ISSUES

Senator SASSER. Thank you, Mr. Secretary.

We have been joined by Senator Stevens.

Do you have an opening statement, Senator?

Senator STEVENS. I apologize, Mr. Chairman and gentlemen, for being late. We had another hearing that started early this morning.

I would like to put my statement in the record, but because of the fact that I have reviewed the statements here today I would like to make just this portion of that statement.

I think those who appear before us today have the responsibility to advise on the development and implementation of policies that govern our relations with allies both in Europe and the Pacific.

Several of you note that we have made comments, those of us here in Congress, that our allies must contribute more to their own defense. It goes without saying that some people are saying this is bashing some of our allies.

It seems to me when our allies, whose economic strength which now exceeds the U.S. wealth, ought to contribute more to our joint defense, and members of the administration should recognize our responsibility in terms of the Constitution concerning the expenditures of our funds.

We thought we had a relationship which was a partnership both with our allies in Europe and in Japan. This week we received a request from the President to increase the transfer authority from the Department of Defense from \$1.5 billion to \$4 billion primarily to cover the increased costs in fiscal year 1988 of our overseas commitment brought about by the exchange rate.

The Japanese continue to spend only about 1 percent of their gross national product on defense, and we believe that since they are focusing more of their resources toward expanding export production, we face an even worsened condition in terms of our deficit in the balance of trade and payments, and now we have a deficit in insuring that our troops there have a reasonable standard of living in Japan.

I think as far as I am concerned, we ought to start this hearing with an understanding that from my point of view it makes no sense either on economic or defense grounds for us to continue to accept this relationship with Japan. I do not think Congress will accept it beyond this year. Whether the rhetoric this year will result in substantial long-term change, I do not know, but I think it is time for us to explore it without accusing one another of rhetoric in terms of public discussion of one of the most severe problems we face from a financial point of view.

I would like to have the rest of my statement put in the record, if I may.

I might say, Mr. Chairman, I intend to take a trip to Japan on Memorial Day recess. I mentioned it to Admiral Hays. I would like to go over and take a look at the *Midway* and see the problems we have there.

I think it is time that we not only make these statements here but we be willing to enter into a dialog there with regard to what they are doing.

I will have other questions later. I appreciate your courtesy.

[The statement follows:]

STATEMENT OF HON. TED STEVENS

Thank you, Mr. Chairman. I join you in welcoming our witnesses this morning, and commend you for starting this year's military construction hearing schedule with this focus on burdensharing with our allies. I know of your longstanding concern over this issue, and I personally believe that this topic will be at the forefront of the defense debate this year.

The November 20, 1987, budget summit agreement between the White House and Congress capped U.S. defense spending at \$299.5 billion for fiscal year 1989. Early action in the House budget process indicates that this level will be sustained. This decision on spending is not necessarily a judgment on defense requirements, but simply a statement of what we can afford to spend in the face of growing Federal deficits. If we accept Mr. Carlucci's statements that the \$33 billion reduction from the President's original fiscal year 1989 budget poses risks to U.S. security, today's hearing gets at the heart of how those risks can be addressed.

The officials testifying before the committee today are charged with both the development and implementation of the policies governing our relations with allies in Europe and the Pacific. All of you, I am sure, have heard from Congress that our allies should be made to contribute more to their own defense. I do not believe that this imploring correctly states the issue. Our allies, with per capita economic strength now exceeding U.S. wealth, must contribute more to our joint defense, and we in fact should assess our commitments consist with the actions of our defense partners. This is what our relationship must be: a partnership.

The Congress received last week a request from the President for an increase in appropriation transfer authority for the Department of Defense from \$1.5 billion to \$4 billion, primarily to cover increased costs associated with our overseas commitments. Overseas station allowances, designed to cover the gap in military pay caused by the decline in the dollar, have more than doubled in Japan. As the Japanese, through spending only 1 percent of their GNP on defense, are able to focus more of their resources toward expanded export production, we are forced to worsen our deficit condition to ensure our troops a reasonable standard of living in Japan. This policy does not make sense, gentlemen, on either economic or defense grounds, and I don't believe the Congress will long accept this approach.

I look forward to the testimony of the witnesses this morning, and I pledge to my colleague the chairman, with whom I also serve on the Defense Appropriations Subcommittee, that I intend to pursue this issue in that forum, and in statements on the floor. I don't believe that the Congress should bash our allies simply as an exercise in rhetoric. This committee will be an important venue to turn such rhetoric into action.

U.S. PACIFIC COMMAND

STATEMENT OF ADM. RONALD J. HAYS, U.S. NAVY, COMMANDER IN CHIEF, U.S. PACIFIC COMMAND

SUPPORT OF FORWARD DEFENSE STRATEGY

Senator SASSER. We turn now to Adm. Ronald Hays, the Commander of U.S. Forces in the Pacific.

Admiral HAYS. Thank you, Mr. Chairman.

Whether it is combat readiness, sustainability, or quality of life, military construction makes a big difference. I am, therefore, very grateful for this invitation to appear before your committee, Senator.

I, too, have a written statement for the record, and I would propose a short verbal statement, if that is all right.

Senator SASSER. Your complete statement will be included in the record as if read, Admiral.

You may proceed with your synopsis.

Admiral HAYS. Thank you, sir.

The satisfaction of our security interest in the Pacific is being realized. We have a sound strategy. We have combat-ready forces, and we have supportive allies.

The Nation made a wise decision after World War II that a forward defense strategy was in our best interest. Such a strategy serves deterrence by signaling strength, reassures friends and allies by signaling a commitment, and in the unlikely event of a conflict the forward defense strategy puts us in a good posture to fight and to win.

The strategy requires ready forces deployed outside the continental United States and a forward base support structure.

PACIFIC AREA

Today in the Pacific, we have both. The quality of our people and equipment has never been better, and through an alliance network we have access to the necessary base support structure in those forward areas. In the process of satisfying our own forward defense strategy, we also contribute immeasurably to regional security.

While we are concerned about the Communist insurgency in the Philippines, the uncertainty on the Korean Peninsula and the conflict in Southeast Asia, our primary preoccupation in the security sense is Soviet activities in the Pacific.

Verbal declarations about a new era of peace and cooperation are not reinforced by their actions as they continue to build in military force structure in the Pacific.

Happily, our forward defense strategy, the quality of our people and our equipment, and the contribution that is being made by allies all combine to give us the edge over the Soviets in the Pacific.

I make that positive assessment in spite of a smaller number of ships, troops, and aircraft. We do not look like NATO in the Pacific, nor is there a need to. Each allied relationship is bilateral, and each is unique.

Without question, there is mutual benefit in each treaty and, without question, countries like South Korea and Japan could and should do more.

On the other hand, another ally, the Republic of the Philippines, needs our help urgently across the board.

JOINT DEFENSE POSTURE IN KOREA

To take a more detailed look at Korea, you see 600,000 Korean troops and over 40,000 United States troops integrated into a combined forces command, as fine a fighting force as you will find anywhere.

The force maintains the vigil along the demilitarized zone and restrains the unpredictable North Korean regime. Our mutual defense treaty provides for unrestricted access to bases for air and land forces.

Korean support includes troop augmentation, ammunition stockpiling, wartime logistic arrangements, and military construction. The Republic of Korea will fund about \$33 million in military construction projects this year, and I expect at least a doubling of that amount in 1989.

JAPANESE DEFENSE CONTRIBUTIONS

Another ally, Japan, is the key to our Northwest Pacific security posture for at least three reasons: We share apprehensions about Soviet intentions; their self-defense force is a first-rate force with modern equipment and professional people; and our treaty with Japan gives us access to a number of important support and operating bases.

Japan's contribution to burdensharing has been growing. Facility support for U.S. forces has increased almost threefold over the past 10 years. We expect this year that projects in the amount of about \$650 million at the current exchange rate will be implemented.

PHILIPPINE ALLIANCE

An old and trusted ally, the Philippines, presently has a Communist insurgency on its hands and is in serious economic condition.

Economic and security assistance will be necessary in the years ahead. Other than unhampered access to strategically important Philippine bases, we receive no other materiel benefits of burdensharing.

The United States presence in the Philippines contributes to regional security throughout Southeast Asia, counters the Soviet presence in Vietnam, and supports Indian Ocean operations.

We are about to begin a review of the military bases agreement with the Philippines, and their expectations appear to be well beyond reality.

Nevertheless, I remain optimistic about the outcome because there is too much at stake to have it otherwise for the Philippines or for the United States.

Our military construction projects in the Philippines for fiscal year 1989 include operational and quality of life projects. The powerplant project at Subic is badly needed. So is the housing project at Clark.

The Milcon proposals for Clark and Subic are needed now to improve our warfighting posture, and for improved quality of life at home as well as in the workplace, and to send a signal of confidence about the future.

OVER-THE-HORIZON RADAR SYSTEM IN GUAM

Milcon proposals for U.S. territories in the Pacific amount to about \$220 million. Chief among those projects is the over-the-horizon radar system. This project is an essential part of our planned theaterwide surveillance and early warning network.

In summary, Mr. Chairman, our forward-deployed forces operating from bases in Japan, Korea, the Philippines, and Guam satisfy our forward defense strategy by presenting a convincing deterrent posture. In the process, they, of course, contribute to regional security.

Military construction projects included in the fiscal year 1989 budget request are a fundamental part of that forward defense strategy.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF ADM. RONALD J. HAYS, USN
 COMMANDER IN CHIEF, U.S. PACIFIC COMMAND

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE,

THANK YOU FOR THE INVITATION TO SPEAK ABOUT THE PACIFIC COMMAND. I WOULD LIKE TO PROVIDE YOU WITH AN OVERVIEW OF THE PACIFIC REGION AND THEN FOCUS ON THE ALLIANCE NETWORK, THE BASE STRUCTURE, AND BURDENSARING. I WILL ALSO REVIEW SOME OF THE MILITARY CONSTRUCTION PROJECTS PLANNED FOR FY-89.

DRAMATIC CHANGES OCCURRING IN THE PACIFIC TELL A STORY OF MOVEMENT TOWARDS DEMOCRATIC SOCIETIES, ECONOMIC GROWTH THAT IS UNSURPASSED ELSEWHERE, AND MILITARY EXPANSION THAT INCREASINGLY COMPETES WITH OUR OWN FORCE POSTURE.

YET, WE HAVE A SOUND STRATEGY IN THE PACIFIC AND OUR SECURITY POSTURE IS ADEQUATE. THERE ARE, HOWEVER, DESTABILIZING FACTORS SUCH AS THE TENSION ON THE KOREAN PENINSULA, THE CONTINUING OCCUPATION OF CAMBODIA BY THE VIETNAMESE, THE SKIRMISHES ALONG THE THAI BORDER WITH THE VIETNAMESE AS WELL AS THE LAOTIANS, THE GROWING INSURGENCY IN THE PHILIPPINES, ANTI-NUCLEAR SENTIMENTS IN THE SOUTH PACIFIC, POLITICAL INSTABILITY IN BANGLADESH, ETHNIC WAR IN SRI LANKA, ANIMOSITY BETWEEN INDIA AND PAKISTAN, AND FINALLY, ON THE ECONOMIC SIDE, THE SERIOUS TRADE IMBALANCE BETWEEN THE U.S. AND THE PACIFIC RIM NATIONS. WITH ALL THESE PROBLEMS, OUR PRIMARY PREOCCUPATION AND THE MOST THREATENING TO UNITED STATES SECURITY REMAINS SOVIET ACTIVITIES IN THE PACIFIC.

THE THREAT

USSR

GORBACHEV'S NOW FAMOUS 1986 VLADIVOSTOK SPEECH DECLARED THAT THE SOVIET UNION WAS TO BE A MAJOR PLAYER IN PACIFIC AFFAIRS. HE CALLED FOR A NEW ERA OF PEACE AND COOPERATION, AND OFFERED SEVERAL INITIATIVES TO REDUCE REGIONAL TENSIONS. THESE INITIATIVES CONTAINED PROPOSALS TO LIMIT SUBMARINE OPERATIONS AND NAVAL SURFACE FLEET ACTIVITIES IN THE WESTERN PACIFIC AND TO CEASE DEPLOYMENTS OF NUCLEAR CAPABLE AIRCRAFT TO THE FAR EAST. THE OBJECTIVE OF SUCH PROPOSALS IS TO ISOLATE THE U. S. FROM ITS ASIAN FRIENDS AND ALLIES. PACIFIC NATIONS GENERALLY REMAINED SKEPTICAL OF THE OFFERINGS AND ELECTED TO LOOK FOR SOVIET ACTIONS TO ASCERTAIN TRUE INTENTIONS. THUS FAR, THEY HAVE NOT BEEN IMPRESSED. SINCE THE VLADIVOSTOK SPEECH, THE SOVIET FORCE STRUCTURE BUILDUP IN THE PACIFIC HAS CONTINUED APACE WITH THE INTRODUCTION OF MORE FIGHTERS, MORE BOMBERS, ADDITIONAL SHIPS, AND AN EXPANDED LAND ARMY.

THIS MILITARY EXPANSION CONTINUES THE TREND THAT HAS BEEN EVIDENT OVER THE PAST FEW YEARS. THE SOVIET PACIFIC FLEET HAS GROWN TO OVER 300 COMBATANTS, INCLUDING TWO AIRCRAFT CARRIERS, A KIROV CLASS NUCLEAR-POWERED GUIDED MISSILE CRUISER, AND TWO NEW CLASSES OF GUIDED MISSILE DESTROYERS. THERE NOW ARE OVER 120 SUBMARINES, INCLUDING THE NEW, QUIET, AKULA CLASS, WHICH ARE NOW IN ACTIVE SERVICE IN THE PACIFIC, AND MORE ARE ON THE WAY.

SOVIET PACIFIC AIR FORCES OPERATE OVER 2500 COMBAT AIRCRAFT -- ABOUT ONE-THIRD OF THEIR TOTAL STRIKING FORCE. LONG RANGE STRIKE AIRCRAFT INCLUDE ALL THE "BEAR G'S" IN THE SOVIET INVENTORY PLUS "BEAR H'S" ARMED WITH AS-15 AIR TO SURFACE MISSILES. THEY ALSO EMPLOY DOZENS OF BACKFIRE BOMBERS IN THE PACIFIC.

LAND FORCES ARE MADE UP OF 57 ARMY DIVISIONS EQUIPPED WITH MODERN TANKS, ARTILLERY AND HELICOPTERS. MOST OF THESE FORCES ARE POISED ALONG THE SINO-SOVIET BORDER. PERHAPS THE MOST SIGNIFICANT SOVIET MILITARY DEVELOPMENT IN THE PAST FEW YEARS IS THE SUPPORT AND OPERATING COMPLEX AT CAM RANH BAY. THESE FINE FACILITIES NOW SUPPORT 25-30 SHIPS AND SUBMARINES AND UPWARDS OF 50 COMBAT AIRCRAFT. FACILITY UPGRADES CONTINUE. MEANWHILE THE SOVIET DIPLOMATIC MISSIONS AROUND THE PACIFIC HAVE BEEN UPGRADED -- IT IS OFTEN HEARD THESE DAYS THAT SOVIET DIPLOMATS ARE FINALLY ACTING LIKE DIPLOMATS -- AND CONCERTED EFFORTS ARE UNDER WAY TO EXPAND

ECONOMIC RELATIONS THROUGHOUT THE REGION. THE REACTION TO THESE SOVIET MOVES LEADS TO THE QUESTION, "IS GENERAL SECRETARY GORBACHEV FOR REAL OR IS THIS A NEW PACKAGE OF WELL ESTABLISHED EXPANSIONIST POLICY MADE NECESSARY BY A DISASTROUS ECONOMY?" REGARDLESS OF THE ANSWER, THE SOVIET DRIVE TO FURTHER THEIR INFLUENCE IN THE PACIFIC, IF SUCCESSFUL, WILL BE AT OUR EXPENSE.

SO LONG AS WE RETAIN OUR DETERRENT POSTURE, THE LIKELIHOOD OF A MILITARY CONFLICT WITH THE SOVIETS IS NOT VERY GREAT, AND THE COMPETITION WILL BE MORE EVEN HANDED. A HIGHER, NEAR TERM THREAT TO OUR VITAL INTERESTS IS FOUND IN NORTH KOREA, VIETNAM, AND THE REPUBLIC OF THE PHILIPPINES.

NORTH KOREA

THE NORTH KOREANS HAVE A SOVIET-SUPPORTED ARMED FORCE, 60 PERCENT OF WHICH IS FORWARD DEPLOYED JUST NORTH OF THE DEMILITARIZED ZONE. THE MISSION OF THIS ARMED FORCE IS THE REUNIFICATION OF THE KOREAN PENINSULA UNDER NORTH KOREAN CONTROL -- BY FORCE IF NECESSARY.

VIETNAM

VIETNAM'S ARMED FORCES, ONE MILLION MEN STRONG, ARE LARGER THAN THE ARMED FORCES OF INDONESIA, MALAYSIA, BRUNEI, THAILAND, SINGAPORE, AND THE PHILIPPINES (THE MEMBERS OF ASEAN) COMBINED. THIS FORCE OCCUPIES CAMBODIA AND LAOS, SKIRMISHES WITH THE PEOPLES REPUBLIC OF CHINA ARMY FREQUENTLY, AND IS, IN EFFECT, A DESTABILIZING INFLUENCE THROUGHOUT INDOCHINA. ADDITIONALLY, VIETNAM PROVIDES THE SOVIETS ACCESS TO DANANG AIRFIELD AND THE CAM RANH BAY COMPLEX. BY BUILDING UP THE CAM RANH BAY COMPLEX, THE SOVIETS HAVE AT LAST REALIZED THEIR LONG SOUGHT AFTER WARM WATER OPERATING PORT.

PHILIPPINE INSURGENTS

EVEN THOUGH WE HAVE SEEN STEADY IMPROVEMENT IN THE CAPABILITIES OF THE PHILIPPINE ARMED FORCES, THE COMMUNIST INSURGENCY CONTINUES TO GROW AND IS NOW AT A STRENGTH OF AROUND 26,000. WE ALSO SEE, FOR THE FIRST TIME, A CONCERTED EFFORT BY THE COMMUNIST PARTY OF THE PHILIPPINES TO GARNER FINANCIAL SUPPORT FROM OTHER COUNTRIES.

COUNTERING THE THREAT

DESPITE TROUBLE SPOTS, OUR SECURITY POSTURE IN THE PACIFIC IS ADEQUATE TODAY. FIRST, WE HAVE QUALITY FORCES WITH HARDWARE AND WEAPONS SYSTEMS THAT WORK AND TALENTED PEOPLE TO MAINTAIN AND OPERATE THEM. SECOND, THERE IS AN EFFECTIVE ALLIANCE NETWORK IN THE PACIFIC, MOTIVATED BY A SHARED CONCERN FOR SELF DEFENSE, PEACE, AND SECURITY. PERCEIVED THREATS AND MUTUAL INTEREST HAVE LED TO FORMAL SECURITY ARRANGEMENTS WITH JAPAN, THE REPUBLIC OF KOREA, THAILAND, THE PHILIPPINES, AUSTRALIA, THE FEDERATED STATES OF MICRONESIA, AND THE REPUBLIC OF THE MARSHALL ISLANDS. THESE AGREEMENTS COMMIT THE UNITED STATES TO HELP DEFEND AGAINST EXTERNAL THREATS, AND, IN RETURN, THE INDIVIDUAL NATIONS CONTRIBUTE TO THE COLLECTIVE SECURITY UMBRELLA THAT HAS SERVED ALL NATIONS OF THE PACIFIC WELL. OUR FORWARD DEPLOYED FORCES, OPERATING FROM BASES IN JAPAN, KOREA, AND THE PHILIPPINES, PRESENT A CONVINCING DETERRENCE POSTURE, ARE IN POSITION TO COUNTER THE THREAT, AND IN THE PROCESS, THEY PROTECT OUR OWN GLOBAL INTERESTS. OUR FORWARD DEFENSE STRATEGY, FOUNDED AFTER WORLD WAR II ON THE BELIEF THAT WE ARE ABLE TO DEFEND OUR SOVEREIGNTY BEST FROM AREAS OUTSIDE OUR GEOGRAPHIC BOUNDARIES, IS WELL SERVED IN THE PACIFIC.

A BRIEF ACCOUNT OF OUR ALLIANCE NETWORK IN THE PACIFIC FOLLOWS:

JAPAN

THE DEVELOPMENT IN RECENT YEARS OF THE U. S.-JAPAN SECURITY RELATIONSHIP IS ONE OF OUR FINEST FOREIGN POLICY SUCCESSES.

SINCE SIGNING THE TREATY OF MUTUAL COOPERATION AND SECURITY IN 1960, THE JAPANESE HAVE DEVELOPED AN INCREASINGLY CAPABLE SELF-DEFENSE FORCE, AND THEY ARE SHOULDERING AN INCREASING SHARE OF THE TREATY BURDEN. THEIR DEFENSE SPENDING, ALTHOUGH CONSTITUTING A SMALL PORTION OF TOTAL GNP, HAS GROWN IN REAL TERMS AT A RATE FASTER THAN ANY OTHER COUNTRY. BASED ON PRESENT

EXCHANGE RATES (128 YEN = ONE U. S. DOLLAR), AND INCLUDING ALL SALARY AND PENSION PROGRAMS, JAPAN'S DEFENSE BUDGET NOW EXCEEDS THAT OF BRITAIN, FRANCE, OR WEST GERMANY. CAPABILITIES TO FULFILL THEIR DEFENSIVE RESPONSIBILITIES GROW AS ILLUSTRATED BY THE FACT THAT THE JAPANESE AIR SELF-DEFENSE FORCE HAS MORE COMBAT AIRCRAFT THAN THE U. S. AIR FORCE HAS PERMANENTLY BASED IN JAPAN, KOREA, AND THE PHILIPPINES COMBINED. THE JAPANESE MARITIME SELF-DEFENSE FORCE HAS MORE THAN TWICE AS MANY DESTROYER-TYPE SHIPS AS THE U. S. SEVENTH FLEET. IF PERMITTED TO PURCHASE THE AEGIS SYSTEM IN 1988, AND I STRONGLY URGE THEY BE PERMITTED TO DO SO, THE JAPANESE SELF-DEFENSE FORCE WILL BE BETTER ABLE TO PROVIDE PROTECTION OF THE SEA LINES OUT TO 1,000 MILES FROM THE JAPANESE ISLANDS, AS THEY HAVE COMMITTED THEMSELVES TO DO.

OUR TREATY WITH JAPAN ENSURES U. S. ACCESS TO A NUMBER OF IMPORTANT BASES IN JAPAN. UNDER THE TREATY AND IMPLEMENTING STATUS OF FORCES AGREEMENT, U. S. FORCES HAVE COMPREHENSIVE RIGHTS AND AUTHORITY FOR THE OPERATION, SAFEGUARDING, AND CONTROL OF THE BASES. TACTICAL OPERATIONS, CONSISTENT WITH OUR BILATERAL SECURITY MISSION, ARE ESSENTIALLY UNCONSTRAINED. SERVICEMEMBERS AND THEIR FAMILIES ARE ABLE TO MOVE ABOUT JAPAN FREELY. THIS ACCESS AND FREEDOM OF MOVEMENT IN AND ABOUT JAPAN IS WITHOUT CHARGE.

OUR MAIN U. S. NAVAL BASES AT YOKOSUKA AND SASEBO PROVIDE THE 7TH FLEET PORTS AND FACILITIES IT NEEDS FOR CONTINUOUS PRESENCE IN NORTHEAST ASIA. OUR PRESENCE THERE KEEPS THE SOVIET PACIFIC FLEET IN CHECK. TO THE SOUTH, IN BASES ON OKINAWA, A MARINE EXPEDITIONARY FORCE WITH ITS DIVISION, WING, AND FORCE SERVICE SUPPORT GROUP IS STATIONED. KADENA AIR BASE ON OKINAWA IS HOME FOR FIGHTER SQUADRONS AS WELL AS TO AN E-3 AWACS SQUADRON, WHICH SURVEILS SOVIET AND NORTH KOREAN ACTIVITY IN THE REGION. THE AIR BASES IN MAINLAND JAPAN AT IWAKUNI, ATSUGI, AND MISAWA SUPPORT OUR COMBAT AND PATROL AIRCRAFT. THE ARMY BASE AT CAMP ZAMA AFFORDS A CORPS LEVEL INFRASTRUCTURE FOR REINFORCEMENT UNITS IN TIME OF CRISIS. FINALLY, A BATTALION OF THE 1ST SPECIAL FORCES GROUP IS STATIONED ON OKINAWA. IN ALL, MORE THAN 52,000 OF OUR SERVICEMEN AND WOMEN ARE STATIONED AT BASES THROUGHOUT JAPAN.

AS TO BURDEN SHARING, JAPAN PROVIDES SUPPORT EQUIVALENT TO MORE THAN 40 PERCENT OF THE \$5.9 BILLION ANNUAL COST OF MAINTAINING U. S. FORCES IN JAPAN. IMPORTANTLY, JAPAN WILL FUND 50 PERCENT OF CERTAIN LABOR COST ALLOWANCES AND BENEFITS STARTING ON 1 APRIL 1988. A NEW PROTOCOL, TO BE ENACTED THIS YEAR, WILL PROVIDE UP TO 100 PERCENT FUNDING OF THESE BENEFITS AND ALLOWANCES BY JFY-90. AN INCREASE TO 100 PERCENT OF THESE LABOR COSTS REPRESENTS AN INCREMENTAL INCREASE OF MORE THAN \$175 MILLION. OF NOTE ALSO ARE SUBSTANTIAL JAPANESE INVESTMENTS TO IMPROVE OUR ANTISUBMARINE WARFARE TECHNOLOGY LEAD IN THE WAKE OF SOVIET ADVANCEMENT IN SUBMARINE OPERATIONS AND FUNDING COMMITMENTS FOR PRECISE NAVIGATIONAL EQUIPMENT FOR THE ARABIAN GULF. IMPORTANTLY, JAPAN HAS SELECTED AN UPGRADED F-16 AS ITS NEXT GENERATION AIR-TO-GROUND FIGHTER. THIS DECISION, AND INCLUSION OF MAJOR EQUIPMENT ITEMS OF U. S. ORIGIN SUCH AS AEGIS, THE P-3, C-130, AND E-2C AIRCRAFT IN THE JFY-88 DEFENSE BUDGET, CONTINUE THE TREND OF IMPROVING INTEROPERABILITY TIES WITH THE U. S.

JAPAN IS ALSO INCREASING SUPPORT OF U. S. FORCES THROUGH FACILITY CONSTRUCTION, SUCH AS HOUSING FOR U. S. FORCES. FROM 1982 TO 1987 THE JAPANESE FACILITY IMPROVEMENT PROGRAM INCREASED BY 96 PERCENT. IN JFY-88 JAPAN PROPOSES TO SPEND \$650 MILLION ON CONSTRUCTION FOR OUR FORCES, A 10 PERCENT INCREASE OVER 1987. THIS SUSTAINED INCREASE HAS ENABLED THE U. S. TO REDUCE ITS MILCON PROGRAM FOR JAPAN BY TWO-THIRDS SINCE 1982. OVER THE PAST DECADE THE JAPANESE HAVE BUILT 4837 FAMILY HOUSING UNITS, 8700 BACHELOR HOUSING ROOMS, 11 SCHOOLS, AND SEVEN MEDICAL FACILITIES FOR U.S. FORCES. A PLANNED PROJECT IN THE JFY-88 BUDGET IS THE CHILD CARE CENTER FOR THE AIR FORCE AT MISAWA. SOME FACILITIES, HOWEVER, STILL REQUIRE U. S. MILCON FUNDING. IN GENERAL, THE JAPANESE ARE FUNDING THE QUALITY OF LIFE PROJECTS WHILE THE U. S. FUNDS THOSE

PROJECTS RELATED TO OFFENSIVE WARFIGHTING OR PROJECTS OF HIGH CLASSIFICATION. THE FY-89 MILCON PROGRAM FOR JAPAN TOTALS \$27 MILLION FOR 11 PROJECTS THAT DIRECTLY CONTRIBUTE TO OUR WARFIGHTING CAPABILITY. THE KAWAKAMI AMMUNITION STORAGE FACILITY IS AN EXAMPLE OF A KEY PROJECT IN JAPAN REQUIRING U. S. MILCON FUNDING. THIS PROJECT IS NEEDED TO PROVIDE SAFE, SECURE STORAGE OF WAR RESERVE AMMUNITION FOR OUR FORWARD DEPLOYED FORCES.

THIS SAID, JAPAN CAN AND SHOULD DO MORE. WE CONTINUE TO ENCOURAGE JAPAN TO ASSUME MORE OF THE BURDEN OF THE U. S. FORCE PRESENCE IN JAPAN, TO INCREASE ITS OFFICIAL DEVELOPMENT ASSISTANCE FUNDS TO COUNTRIES SUCH AS THE PHILIPPINES, AND TO DO MORE TO IMPROVE THEIR OWN COMBAT SUSTAINABILITY, COMBAT SERVICE SUPPORT, AND JOINT AND COMBINED CAPABILITIES.

REPUBLIC OF KOREA

OVER 37 YEARS AGO, THE U. S. AND REPUBLIC OF KOREA FORGED A SECURITY PARTNERSHIP THAT CAN BE COUNTED AMONG THE STRONGEST WE HAVE WITH ANY ALLY. THE COMBINED FORCES COMMAND, CONSISTING OF U. S. AND ROK FORCES, IS AS FINE A MILITARY FORCE AS CAN BE FOUND ANYWHERE. THE REPUBLIC OF KOREA HAS GROWN MILITARILY, ECONOMICALLY, AND POLITICALLY, FROM ONE OF THE POOREST NATIONS AMONG THE UNDERDEVELOPED TO A THRIVING INDUSTRIALIZED NATION, ON THE THRESHOLD OF WORLD POWER STATUS. PROGRESS IS ATTRIBUTABLE IN PART TO THE SECURITY AND STABILITY OF THE U. S. MILITARY PRESENCE OVER THE YEARS.

TODAY THERE IS BOTH TENSION AND PROMISE ON THE KOREAN PENINSULA. THE TENSION IS CAUSED BY AN EVER PRESENT AND TOTALLY UNPREDICTABLE THREAT FROM THE NORTH. THE PROMISE IS THE ECONOMIC AND POLITICAL DEVELOPMENT IN THE SOUTH. THE EARLY PHASE OF A DIFFICULT POLITICAL EVOLUTION -- THE FIRST EVER DEMOCRATIC ELECTION OF A PRESIDENT -- HAS BEEN SUCCESSFULLY COMPLETED. WITH THE RECENT INAUGURATION OF PRESIDENT ROH TAE WOO, AND PARLIAMENTARY ELECTIONS SCHEDULED FOR THE SPRING, KOREA WILL HAVE MADE STRIDES TOWARDS A DEMOCRATIC SOCIETY. THESE EVENTS, COUPLED WITH THE SEOUL SPONSORED OLYMPIC GAMES WHICH PROMISE TO BE THE LARGEST EVER HELD, WILL, WHEN SUCCESSFULLY CARRIED OFF, ENHANCE KOREA'S STATURE IN THE EYES OF THE WORLD.

THE U. S. PRESENCE IN KOREA CONTRIBUTES TO THE DETERRENCE OF RENEWED HOSTILITIES ON THE PENINSULA AND THE MAINTENANCE OF REGIONAL STABILITY. WHILE CHANGES IN THE U.S./ROK SECURITY RELATIONSHIP WILL CONTINUE, THEY WILL BE EVOLUTIONARY IN NATURE, WHILE REMAINING RESPONSIVE TO THE NORTH KOREAN AND SOVIET THREAT.

U. S. BASES IN KOREA SUPPORT OUR STRATEGY OF FORWARD DEFENSE EFFECTIVELY. OUR PRESENCE, WHICH IS SECURED IN PARTNERSHIP THROUGH THE U. S.-REPUBLIC OF KOREA MUTUAL DEFENSE TREATY OF 1953, HAS, IN FACT, KEPT AN UNEASY PEACE ON THE PENINSULA. THE TREATY WITH THE REPUBLIC OF KOREA CALLS FOR CONSULTATION WHEN EITHER PARTY IS THREATENED BY EXTERNAL ATTACK IN THE PACIFIC. ARTICLE IV OF THE TREATY PROVIDES ESSENTIAL ACCESS FOR OUR AIR, LAND, AND SEA FORCES. ACCESS AND MOVEMENT RIGHTS THE U. S. ENJOYS UNDER THE TREATY AND IMPLEMENTING STATUS OF FORCES AGREEMENT ARE VIRTUALLY IDENTICAL TO THOSE DESCRIBED IN THE AGREEMENT WITH JAPAN. F-16'S AT KUNSAN AIR BASE, F-4'S AND F-15'S AT OSAN, A-10'S AT SUWON, AND THE 2ND INFANTRY DIVISION, WITH ITS FORCES MOSTLY ALONG THE DMZ, PROVIDE ESSENTIAL OFFENSIVE STRIKE, COUNTER AIR, CLOSE AIR SUPPORT, AND GROUND COMBAT CAPABILITIES.

BURDEN SHARING OF THE COSTS OF U. S. FORCES IN KOREA IS OCCURRING. IN 1987 THE ROK CONTRIBUTED THE EQUIVALENT OF \$1.2 BILLION OR MORE THAN \$27,000 PER CAPITA SUPPORT FOR EACH U. S. SERVICEMAN STATIONED THERE. OUR WARTIME HOST NATION SUPPORT PROGRAM IN KOREA INCLUDES USE OF KOREAN AIRLINES DURING CONTINGENCIES, STORAGE, MAINTENANCE AND TRANSPORTATION OF AMMUNITION, AND MANPOWER AUGMENTATION. THE KOREAN AUGMENTATION TO THE U. S. ARMY (KATUSA) AND KOREAN SERVICE CORPS PROGRAMS ACCOUNT FOR OVER \$230 MILLION OF THE \$1.2 BILLION ROK SUPPORT TO U. S. FORCES IN KOREA.

THE ROK PROVIDES EXCELLENT FACILITY SUPPORT TO U. S. FORCES

UNDER THE COMBINED DEFENSE IMPROVEMENT PROGRAM (CDIP). IN 1987 THE ROK BEGAN CONSTRUCTION ON \$43.5 MILLION WORTH OF OPERATIONAL SUPPORT FACILITIES, WHICH INCLUDED PROJECTS FOR THE U. S. AIR FORCE A-10'S AND THE U. S. ARMY'S 17TH AVIATION GROUP. IN 1988, PARTLY BECAUSE OF KOREA'S FOCUS ON THE OLYMPICS, CONSTRUCTION SUPPORT WAS REDUCED TO TEN PROJECTS TOTALING \$32 MILLION. UNLIKE JAPAN, THE U. S. FUNDS QUALITY OF LIFE AND MAINTENANCE PROJECTS. THE FY-89 U. S. MILCON PROGRAM IN KOREA CONTAINS 35 PROJECTS TOTALING \$142 MILLION. INCLUDED ARE A LARGE HOSPITAL, SIX BARRACKS, NINE MAINTENANCE FACILITIES, A CHILD CARE CENTER, AND TWO SCHOOL PROJECTS. WHILE WE CONTINUE TO PRESS THE ROK FOR INCREASED BURDEN SHARING SUPPORT, WE WILL ALSO CONTINUE TO REQUIRE MILCON SUPPORT FROM THE U. S. FOR QUALITY OF LIFE AND OTHER NON-OPERATIONAL PROJECTS.

OTHER PROGRAMS THAT CONTRIBUTE TO BURDEN SHARING INCLUDE ROK SUSTAINABILITY ENHANCEMENTS, IMPROVEMENTS TO MUNITIONS STORAGE FACILITIES, COST-SHARING OF COMBINED FORCES COMMAND HEADQUARTERS, FUNDING OF COMBINED CRYPTO REPAIR FACILITIES, AND IMPLEMENTATION OF ROK FORCE IMPROVEMENT PLANS. WE ARE URGING THAT EVEN MORE BE DONE, AND HAVE SUGGESTED SUPPORT FOR PERSIAN GULF OPERATIONS, AND GREATER ECONOMIC ASSISTANCE FOR OTHERS IN THE PACIFIC.

THE PHILIPPINES

WE HAVE A VITAL STAKE IN THE PHILIPPINES THAT GOES BEYOND THE TERMS OF THE MUTUAL DEFENSE AGREEMENT. OUR SPECIAL RELATIONSHIP WITH THE FILIPINO PEOPLE DATES BACK TO THE TURN OF THE CENTURY AND IS RECOGNIZED BY COUNTRIES THROUGHOUT ASIA. A SOUND SECURITY RELATIONSHIP WITH THIS STRUGGLING DEMOCRACY IS CRUCIAL TO ITS SURVIVAL AS WELL AS TO OUR OWN DEFENSE POSTURE IN THE PACIFIC.

THE REPUBLIC OF THE PHILIPPINES STRADDLES THE SEA LINES OF COMMUNICATIONS THAT CONNECT REGIONAL POWER CENTERS IN THE PACIFIC AND INDIAN OCEANS. PHILIPPINE BASES ALLOW US TO POSITION FORCES IN A GOOD STRATEGIC LOCATION. FACILITIES AT CLARK AIR BASE AND SUBIC BAY SERVE A VARIETY OF INTERESTS. THE ASEAN NATIONS, SOME PUBLICLY, SOME PRIVATELY, JAPAN AND AUSTRALIA HAVE NOTED THE CONTRIBUTION MADE BY THE BASES TO REGIONAL SECURITY. MOST OF ALL, THEY SERVE THE SECURITY AND ECONOMIC INTERESTS OF THE PHILIPPINES AND OUR OWN SECURITY INTERESTS.

CLARK AIR BASE HOSTS THE HEADQUARTERS OF THE 13TH AIR FORCE AND IS HOME TO THE 3RD TACTICAL FIGHTER WING. THE U. S. FACILITIES AT THE SUBIC NAVAL BASE COMPLEX SERVE AS THE NAVY'S PRIMARY MAINTENANCE, SUPPORT, AND OPERATING BASE IN SOUTHEAST ASIA.

THE 1952 MUTUAL DEFENSE TREATY PROVIDES FOR CONSULTATION WHEN THE SECURITY, TERRITORIAL INTEGRITY, OR POLITICAL INDEPENDENCE OF EITHER PARTY IS THREATENED BY EXTERNAL ARMED ATTACK IN THE PACIFIC. THE MILITARY BASES AGREEMENT ASSURES THE U. S. OF UNHAMPERED MILITARY ACCESS. THE ACCESS RIGHTS ARE SIMILAR TO THOSE DESCRIBED FOR JAPAN AND KOREA.

THE FY-89 U. S. MILCON PROGRAM IN THE PHILIPPINES TOTALS \$84.1 MILLION FOR 19 PROJECTS TO PROVIDE FACILITIES THAT SUSTAIN WARFIGHTING CAPABILITIES AND SUPPORT OUR PEOPLE. THERE IS LOGIC TO THE SUGGESTION THAT WE HOLD ALL PHILIPPINE MILCON UNTIL WE ARE ASSURED OF TENURE. I DO NOT SUBSCRIBE TO THIS VIEW BECAUSE OF THE ADVERSE AFFECT SUCH A POLICY WOULD HAVE ON READINESS OF OUR FORCES AND THE QUALITY OF LIFE OF OUR PEOPLE. FURTHERMORE, THE PESSIMISM ABOUT THE OUTCOME OF THE NEGOTIATIONS FOR RENEWED ACCESS IMPLIED BY SUCH A POLICY IS UNWARRANTED.

TWO PROJECTS THAT ARE OF SPECIAL CONCERN ARE THE POWER PLANT AT SUBIC BAY NAVAL BASE AND FAMILY HOUSING AT CLARK AIR BASE. PHASE I OF THE POWER PLANT PROJECT AT SUBIC BAY IS BADLY NEEDED TO REDUCE OUR DEPENDENCE ON THE OVERCOMMITTED AND UNRELIABLE ELECTRIC POWER PROVIDED BY THE PHILIPPINE NATIONAL POWER CORPORATION. SECONDLY, WE NEED TO CONTINUE TO BUILD ON-BASE HOUSING FOR OUR PEOPLE, AND IN FY-89 WE ARE PROPOSING THE 260-UNIT FAMILY UNITS AT CLARK AIR BASE. WHILE THERE ARE GROUNDS FOR OPTIMISM ABOUT THE EVENTUAL OUTCOME OF THE BASE NEGOTIATIONS, THERE ARE SERIOUS CHALLENGES ON THE HORIZON. PHILIPPINE NATIONALISM AND UNJUST

ACCUSATIONS ABOUT AMERICAN INVOLVEMENT IN PHILIPPINE AFFAIRS ARE ON THE RISE. THE BASES ARE CAST BY SOME AS THE LEADING SYMBOL OF AMERICAN DOMINANCE THAT MUST BE ELIMINATED. PROMINENT MEMBERS OF THE FILIPINO SENATE HAVE ALREADY TAKEN AN "ANTI-BASES" POSITION, AND WE HAVE TO KEEP IN MIND THAT ANY FUTURE BASING AGREEMENT MADE MUST BE APPROVED BY TWO-THIRDS OF THAT BODY. IT IS EXPECTED THAT THE REALITIES OF THE BENEFITS OF THE BASES WILL TURN MANY OF THE SENATORS AROUND IN TIME. THE MILITARY BASES AGREEMENT IS SCHEDULED FOR REVIEW LATER THIS MONTH, AND THE AGREEMENT MUST BE RENEGOTIATED PRIOR TO 1991. CONTENTIOUS ISSUES COMING INTO PLAY DURING THE NEGOTIATIONS ARE APT TO BE THE AMOUNT OF DIRECT FUNDING SUPPORT, SOVEREIGNTY ISSUES, AND NUCLEAR WEAPONS POLICIES. DESPITE THE DIFFICULTIES EXPECTED, THE NEGOTIATIONS WILL LIKELY BE SUCCESSFUL. THERE IS TOO MUCH AT STAKE FOR BOTH THE U. S. AND THE PHILIPPINES TO HAVE IT OTHERWISE. NEVERTHELESS, IF I'M WRONG, THERE ARE ALTERNATIVES.

AUSTRALIA

OUR OVERALL SECURITY ARRANGEMENT WITH AUSTRALIA IS SUPERB. ALTHOUGH WE HAVE NO BASES THERE, WE DO SHARE JOINT FACILITIES, AND THE AUSTRALIANS PERMIT US GOOD ACCESS TO THEIR PORTS AND AIRFIELDS. WE REGULARLY EXERCISE WITH THE AUSTRALIAN MILITARY WITH EMPHASIS ON JOINT AND COMBINED OPERATIONS. ACCESS TO LOW-LEVEL FLYING ROUTES IN AUSTRALIA FOR OUR B-52'S AND CARRIER AIR WINGS CONTRIBUTES TO A HIGH LEVEL OF PROFICIENCY FOR OUR AIRCREWS. AUSTRALIA'S MORAL SUPPORT OF THE U. S. POSITION IN OUR DISPUTE WITH NEW ZEALAND OVER NUCLEAR ISSUES HAS HELPED CONVINCE OTHER SOUTH PACIFIC AND SOUTHEAST ASIAN NATIONS THAT U. S. POLICY IS RIGHT.

THAILAND

OUR SOLE TREATY ALLY IN SOUTHEAST ASIA IS THAILAND, A LONG-STANDING AND STAUNCH FRIEND THAT HAS BEEN SUBJECTED TO REPEATED VIETNAMESE MILITARY INCURSIONS FROM OCCUPIED CAMBODIA -- AND MOST RECENTLY FROM LAOS. THE MOST IMPORTANT TREATY DEVELOPMENT DURING THE PAST YEAR WAS AGREEMENT TO STORE PREPOSITIONED WAR RESERVE AMMUNITION ON THAI SOIL WITH COSTS OF THE INVENTORY SHARED EQUALLY. WHILE OUR MILITARY-TO-MILITARY TIES REMAIN STRONG, THE THAIS INCREASINGLY LOOK TO OTHER SOURCES FOR ADDITIONAL MILITARY AID BECAUSE IT IS OFFERED ON MORE FAVORABLE FINANCIAL TERMS.

FREELY ASSOCIATED STATES

IN THE FEDERATED STATES OF MICRONESIA AND THE REPUBLIC OF THE MARSHALL ISLANDS, THE U. S. NOW HAS FULL AUTHORITY IN SECURITY AND DEFENSE MATTERS THROUGH THE COMPACT OF FREE ASSOCIATION. THIS AUTHORITY INCLUDES ESTABLISHING AND USING MILITARY FACILITIES IF NECESSARY, AS WELL AS THE AUTHORITY TO DENY ACCESS TO THIRD COUNTRIES.

DIEGO GARCIA

WE HAVE MAINTAINED A LARGE NAVAL FORCE IN THE INDIAN OCEAN FOR SEVERAL YEARS IN ORDER TO PROTECT VITAL INTEREST. SEA-BASED OPERATIONS ARE SUPPORTED ROUTINELY FROM DIEGO GARCIA. OUR BASE AT DIEGO GARCIA IS THE RESULT OF A 1966 AGREEMENT BETWEEN THE U. S. AND THE UNITED KINGDOM. THE TERMS ASSURE US ACCESS FOR 50 YEARS TO A NAVAL SUPPORT FACILITY, AN AIRFIELD, AND AN ANCHORAGE. DIEGO GARCIA IS THE ONLY GUARANTEED ACCESS WE ENJOY IN THE ENTIRE INDIAN OCEAN.

GUAM

CLOSER TO HOME, THE FY-89 MILCON PROGRAM ON GUAM REQUESTS FUNDS FOR NINE PROJECTS TOTALING \$49.9 MILLION. THESE PROJECTS ARE ALSO IMPORTANT TO OUR FORWARD DEFENSE STRATEGY. OF PARTICULAR IMPORTANCE IS THE INITIAL PHASE OF CONSTRUCTION FOR A RELOCATABLE OVER-THE-HORIZON RADAR SYSTEM ON GUAM AND TINIAN. THIS PROJECT WILL PROVIDE A LONG-RANGE SURVEILLANCE CAPABILITY ALLOWING OUR FORCES TO MONITOR THE INCREASING SOVIET PRESENCE IN THE WESTERN PACIFIC. MILCON PROJECTS WHICH SUPPORT THE PACIFIC COMMAND'S OVER-THE-HORIZON RADAR SYSTEMS ARE AT THE TOP OF MY PRIORITY LIST.

HAWAII

OUR FORWARD DEFENSE STRATEGY IN THE PACIFIC IS BUTTRESSED BY

A WELL-DEVELOPED SUPPORT BASE IN HAWAII. EIGHTEEN PROJECTS TOTALING \$88.1 MILLION ARE REQUESTED IN THE FY-89 MILCON PROGRAM TO SUPPORT MAINTENANCE OF OUR EQUIPMENT, IMPROVE OUR READINESS, AND REDUCE OUR FAMILY HOUSING SHORTAGE. A KEY PROJECT IN THE FY-89 MILCON PROGRAM IN HAWAII IS AN INDUSTRIAL MAINTENANCE FACILITY FOR SUBMARINES AT PEARL HARBOR. FAMILY HOUSING, MAINTENANCE, AND STORAGE FACILITIES ON OAHU ARE ESSENTIAL TO A MILITARILY READY FORCE IN THE PACIFIC.

FY-89 BUDGET REDUCTIONS

THE SERVICES, AS PART OF THE BUDGET SUMMIT AGREEMENT, DELETED 14 BARRACKS, SIX MAINTENANCE FACILITIES, THREE FAMILY HOUSING PROJECTS, ONE CHILD CARE CENTER, AND SEVERAL SUPPORT AND STORAGE FACILITIES FROM THE FY-89 MILCON BUDGET BEFORE IT WAS SUBMITTED TO THE CONGRESS. PROJECTS THAT REMAIN ARE ESSENTIAL TO READINESS AND TO THE WELFARE OF OUR PEOPLE. TO ILLUSTRATE THE STATUS OF THE MILCON ACCOUNT, IT HAS BEEN CALCULATED THAT OUR PHYSICAL PLANT, PROGRAMMED TO LAST 50-60 YEARS, MAY HAVE TO BE EXTENDED TO 100 YEARS IF THE FUNDING TRENDS CONTINUE. SUCH EXTENSIONS WILL LEAD INEVITABLY TO HIGHER MAINTENANCE COSTS AND REDUCED READINESS.

CONCLUSION

IN SUMMARY, OUR NATIONAL SECURITY INTERESTS TODAY ARE SERVED WELL IN THE PACIFIC BY HIGHLY MOTIVATED, WELL-TRAINED SERVICEMEN AND WOMEN, EQUIPPED WITH WEAPONS SYSTEMS THAT WORK. WE HAVE A SOUND, FORWARD DEFENSE STRATEGY BASED ON FORWARD DEPLOYED FORCES APPROPRIATELY LOCATED TO REPRESENT OUR SECURITY INTEREST, DETER CONFLICT, OR, IF NEED BE, TO FIGHT. A KEY ELEMENT IN THIS POSTURE IS A SUPPORT AND OPERATING BASE COMPLEX THROUGHOUT THE THEATER. THE COST TO THE U. S. OF THE EXISTING BASE COMPLEX IS MITIGATED IN PART BY ALLIED BURDEN SHARING. MORE BURDEN SHARING COULD BE DONE, AND WE ARE ASKING FOR MORE. MILCON REQUESTS IN THE FY-89 BUDGET ARE DESIGNED, IN PART, TO SUPPLEMENT HOST NATION CONSTRUCTION PROGRAMS IN JAPAN AND KOREA. OTHER PARTS OF OUR FY-89 BUDGET REQUEST ARE FOR MILCON NEEDS ON U. S. SOIL. WITH THE REALITY OF A GREATLY REDUCED BUDGET FOR DEFENSE, OUR FOCUS IS ON PROJECTS THAT CONTRIBUTE MOST TO OUR MISSION OF NATIONAL SECURITY THROUGHOUT THE PACIFIC COMMAND.

THANK YOU, MR. CHAIRMAN.

U.S. EUROPEAN COMMAND

STATEMENT OF GEN. THOMAS C. RICHARDS, U.S. AIR FORCE, DEPUTY COMMANDER IN CHIEF, U.S. EUROPEAN COMMAND

U.S. FORCES IN EUROPE

Senator SASSER. We will now turn to Gen. Thomas Richards, the Deputy Commander of U.S. Forces deployed in Europe.

General Richards.

General RICHARDS. Thank you, Mr. Chairman. I have a full statement I would like to submit to the record.

Senator SASSER. It will be included in the record.

General RICHARDS. I will take a few minutes now to summarize that statement.

Mr. Chairman and distinguished members of the Senate, on behalf of General Galvin, Commander in Chief of the U.S. European Command, I welcome this opportunity to contribute to your examination of the military construction program included in the proposed fiscal year 1989 defense budget.

I have provided a detailed statement for the record and would like to summarize at this time.

As the Deputy Commander in Chief, U.S. European Command, I am responsible to General Galvin for managing the day-to-day U.S. military activities within our area of assigned responsibility. This is a unique responsibility which exists only within the European Command since General Galvin, in addition to commanding U.S. forces in Europe, also serves as the Supreme Allied Commander, Europe, responsible to the North Atlantic Treaty Organization.

General Galvin commands the theater from his allied headquarters, SHAPE, near Mons, Belgium, while I operate from our United States headquarters near Stuttgart, Germany. Our mission, stated succinctly, is to deter war in Europe and to maintain the peace with freedom that the West has enjoyed for nearly four decades.

STRENGTH OF SOVIET CONVENTIONAL FORCES

Not all on the Eurasian continent seem to share that goal. Despite the latest cycle of conciliatory rhetoric from the Kremlin leadership, there still has been no decrease in the conventional forces facing Western Europe, nor has there been any slowdown in the rate of quantitative or qualitative modernization.

The Warsaw Pact forces facing our outnumbered forward-deployed forces are stronger today than ever. Perestroika and Glasnost have not

resulted in any redirection of resources away from the Soviet military machine.

U.S. COMMITMENT IN NATO

Thus, the United States remains committed, not as an act of charity but in the defense of our own vital interests, to a peaceful and free Europe. The most visible symbol of this commitment remains the 326,000 American soldiers, sailors, airmen, and marines manning credible conventional and nuclear systems, standing shoulder to shoulder with their alliance partners to deter all threats to peace and security.

Last month, General Galvin testified before the Senate Armed Services Committee. In that testimony he presented his views on the INF Treaty and necessary strategy for Europe. Now we have the President's proposed fiscal year 1989 budget which provides resources to implement that strategy.

ASSESSMENT OF DEFENSE BUDGET

My purpose today is to provide European Command's assessment of that defense budget with emphasis on military construction.

One of the CINC's primary tasks during the resource allocation process is to identify the capabilities necessary to accomplish assigned missions, to identify existing shortfalls, and then to work with the Department of Defense to develop and implement effective solutions.

General Galvin has worked closely with Secretary Carlucci, with Admiral Crowe and with the service chiefs to develop a fiscal year 1989 budget and military construction program that provides the U.S. European Command sufficient resources to maintain the necessary deterrent and combat capabilities and facilities.

General Galvin's message throughout the development process has been the need for a balanced approach both across the budget and within each of the pillars of defense: readiness; sustainability; modernization; and force structure.

FLEXIBLE RESPONSE STRATEGY

The strategy of flexible response depends on maintaining a credible deterrent across the spectrum of conflict and within each leg of the defensive Triad. A balance must be achieved that provides not only a sufficient number of systems but also the people, the facilities, the training, and the support necessary to operate, train on, and repair those systems.

PROVISIONS IN PRESIDENT'S FISCAL YEAR 1989 BUDGET

The President's proposed fiscal year 1989 budget provides the European Command a balanced package of deterrent capabilities despite the reduced funding. Key programs needed by this theater have been preserved, as has the progress we have made recently to improve our munitions and our training capabilities.

We have avoided the temptation to return to the hollow force structure of the 1970's. We have proposed prudent investments for the future, recognizing the modernization of our forces is a continuing process and a challenge that cannot be postponed without incurring greater risk and higher cost later.

Additionally, the European Command's priority military construction projects are appropriately resourced.

Considering the limited funds available, the proposed budget achieves the necessary balance and supports the European Command's major needs.

As you know, military construction is a necessary component both in supporting our fielded nuclear and conventional weapons systems and in providing an important contribution to taking care of our service members. At the same time upgrading our existing deteriorating facilities and starting new construction is a very visible signal to our allies and our adversaries of our continued presence and our commitment to the European theater.

EUROPEAN COMMAND CONSTRUCTION REQUIREMENTS

For fiscal year 1989, European Command construction requirements in Europe total just under \$1.1 billion. Our proposed program, comprising both new construction and facility modernization, provides adequate training, work, and living facilities to improve the readiness of our forces.

Military construction is a major force multiplier which allows our forces to increase their mission capability without increasing their size. While our modern systems are technologically advanced, the same sophistication increases the need for critical maintenance and support facilities to improve both their longevity and the availability of these critical systems.

European Command's fiscal year 1989 Milcon program will make significant contributions to enhancing readiness by constructing secure command and control facilities, providing bare minimum maintenance facilities for our most modern track vehicles and attack helicopters, developing the necessary combat maneuver training complex, insuring adequate on-base housing, and reducing the number of overcrowded and deteriorating schools in Europe.

This is not a wish list, a list of nice-to-have items, but a carefully reviewed roster which presents our validated needs. We ask for your full support and assistance in assuring sufficient funds are authorized and appropriated to insure these projects actually come to fruition.

CONCLUDING REMARKS

In conclusion, as we face the challenge of funding a viable deterrent force, we must not accept solutions that unreasonably increase the risk to Western security or reduce our commitments to our allies and our friends.

American forces are deployed in Europe because it is in the U.S. national interest to do so. Those forces must be maintained and supported in a manner that allows them to face with confidence the Warsaw Pact forces deployed on the borders of NATO.

There are no easy solutions for the challenges we and our allies face in deterring Soviet aggression and intimidation in Europe. I am confident, however, that our strategic approach, so successful in the past, remains correct.

Our collective challenge is to insure that the alliance has sufficient military capabilities and facilities to fulfill the dictates of our strategy and to maintain the peace in Europe that for the first time in modern history has lasted for more than a single generation.

U.S. forces in Europe will be able to do that with the resources the President has requested in this budget.

On behalf of General Galvin, I ask for your continued support of American commitment to its vital interest in the European theater as you examine our fiscal year 1989 defense budget.

Mr. Chairman, that concludes my remarks.

[The statement follows:]

PREPARED STATEMENT OF GEN. THOMAS C. RICHARDS, USAF
DEPUTY COMMANDER IN CHIEF, U.S. EUROPEAN COMMAND

Mr. Chairman and distinguished members of the Senate, on behalf of General Galvin, Commander In Chief, U.S. European Command, I welcome this opportunity to contribute to your examination of the Military Construction Program included in the proposed FY 89 Defense Budget. Prior to addressing European Command's military construction requirements, it may be helpful to outline that framework which our MILCON request supports: mission, strategy and necessary capabilities.

Mission

As Commander In Chief of the United States European Command, General Galvin is responsible for U.S. military activities in Europe and most of Africa, an area encompassing over 13 million square miles and including 77 countries -- 43% of the world's nations. As the Deputy Commander In Chief of the United States European Command, I am responsible to General Galvin for managing the day to day activities of U.S. military activities within our area of responsibility. This unique relationship exists since General Galvin, in addition to commanding U.S. forces in Europe, also serves as the Supreme Allied Commander Europe, responsible to the North Atlantic Treaty Organization. General Galvin commands the theater from his Allied Command Europe Headquarters (SHAPE) near Mons, BE while I operate from the U.S. Headquarters near Stuttgart, GE. Our mission, succinctly stated, is to deter war and to maintain the peace with freedom that the West has enjoyed for nearly four decades. The objective of all our efforts is peace.

Commitment

As outlined in President Reagan's U.S. National Security Strategy, the defense of Western Europe is second only to the defense of North America in priority. Were Western Europe, location of 46% of America's overseas investment, forced into the Soviet orbit, the global balance of military and economic power would shift overwhelmingly to the Soviets. Twice in this century the United States has entered into a world war to prevent a government, antithetical to U.S. interests, from dominating Europe. The NATO alliance, the most successful peace movement of modern times, has made a similar action unnecessary for over four decades. The United States is committed, not in an act of charity but in the defense of our own vital interests, to a peaceful and free Western Europe. The most visible symbol of this U.S. commitment remains the 326,000 American service members, standing shoulder to shoulder with their Alliance partners, manning credible conventional and nuclear systems with modern facilities to deter all threats to peace and security.

Threat

But whom are we seeking to deter and against what are we preparing to defend? For the foreseeable future, the Soviet Union will remain the only nation able to pose a direct threat to the survival of the U.S. or the Alliance. Despite the conciliatory rhetoric of the Kremlin leadership, there has been no decrease in their conventional forces facing Western Europe, nor any slowing of their quantitative and qualitative modernization. The Warsaw Pact forces facing our outnumbered forward deployed forces are stronger than ever. In the last five years the Soviet Union has outproduced the United States more than 2 to 1 in tanks and infantry fighting vehicles, and 4 to 1 in

artillery. During the past three years, the USSR, by itself, has outproduced the collective NATO nations in every major category of ground weapons system. NATO is outnumbered roughly 3 to 1 in tanks and artillery and 2 to 1 in combat aircraft. Despite Warsaw Pact offensive force levels that far exceed any reasonable requirements for defense, there is no sign the Pact's effort to expand its military power is abating. It does not appear that Perestroika and Glasnost has resulted in any redirection of resources away from the Soviet military machine.

Considering the Soviet military imbalance, coupled with their continued emphasis on modernization and offensive capabilities, we should be cautious of equating indications of greater Soviet domestic reorganization and openness with a lessening of Soviet geopolitical aggressiveness, military capabilities, or ultimate ideological goals.

Strategy

NATO, with its strategy of flexible response and forward defense, has successfully dissuaded Soviet aggression for over two decades. Flexible response has been and remains the correct strategy for NATO, taking into account the ever changing mix of Alliance political and military realities. Flexible response poses three general responses to aggression:

- Direct defense seeks to defeat aggression on the level at which the enemy chooses to fight. It rests on physically preventing the enemy from taking what he wants and places the onus of escalation on him.
- Deliberate escalation seeks to defeat aggression by raising, in a controlled manner, the scope and intensity of combat, including an actual or threatened nuclear response, making the cost and risk disproportionate to the aggressor's calculated gain.
- General nuclear response contemplates the use of strategic nuclear strikes to destroy an enemy's capacity and will to continue the war.

An essential element of NATO strategy is forward defense. We lack the depth to carry out a more traditional strategy, in which a defender facing a numerically superior force trades space for the time needed to wear down the attacker and to organize a counter-attack. Forward defense contributes to NATO's strategy of deterrence because the Soviets recognize that any aggression will be met immediately by NATO forces defending every inch of western soil, and they know they will be unable to attack NATO without running grave risks of nuclear retaliation. Moreover, forward defense assures each member of the Alliance, including the frontline nations, that their territory will be defended.

Since its adoption in 1967, flexible response has accommodated numerous changes in our equipment and force structure - and in those of our adversary. For flexible response to remain viable, however, it must be supported by a balanced triad of strategic nuclear, theater-based nuclear, and conventional forces. In other words, to deter war - and deterrence is our overriding objective - NATO must possess a credible capability for effective military response across the full spectrum of conflict.

The NATO Triad

Strategic Nuclear Forces

Over the past decade, the United States and the United Kingdom have pursued vigorous programs of strategic nuclear modernization. These forces are designed to maintain a secure and effective strategic nuclear deterrent and are the cornerstone of the flexible response strategy. Continuing these programs is essential to maintaining the viability of the strategic leg of the triad.

Theater-based Nuclear Forces

For flexible response to be credible, NATO must be able to implement controlled escalation through the selective employment of theater-based nuclear weapons. For the nuclear option to be effective, these forces must provide a wide range of options and be based throughout Allied Command Europe to demonstrate Alliance unity while denying conclusive preemptive strike calculations by our adversary. We must also possess sufficient capabilities to make the Soviets uncertain as to the precise nature or timing of NATO's response to aggression.

The INF treaty now being considered for ratification will eliminate PII's and GLCM's, but a substantial number of nuclear weapons will remain in the Allied Command Europe area. NATO will still have in Europe nuclear-capable aircraft, Lance Short-range ballistic missiles, and artillery systems that can deliver nuclear weapons. Submarine-launched ballistic missiles of the United States and the United Kingdom will remain available to General Galvin, and we should not fail to consider the contribution to deterrence of the independent nuclear forces of France, which, although not part of NATO'S integrated military structure, nevertheless complicate considerably Soviet planning.

General Galvin is convinced that the INF treaty should be ratified. Although the treaty enhances NATO security in several ways, it does carry some risks - but they are risks that can be minimized or avoided, if given proper attention. We are concerned that the treaty could generate a sense of euphoria that stops NATO's ongoing process of modernization of weapons, equipment and military construction, or it could lead some to advocate a withdrawal of all nuclear weapons from Europe, or create a perception that NATO is somehow less cohesive or less committed to defense. General Galvin and I believe we can and will overcome these transitory disadvantages. To put it another way, if modernization proceeds as planned, NATO's strategy of flexible response and forward defense will remain viable, and we will still be able to carry out our mission of deterrence and defense. However, I need to emphasize that continued modernization in Europe is a consideration entirely apart from the INF treaty. In the highly competitive, technological world of today it would be a mistake to neglect the need to update our defensive capabilities and facilities.

Conventional Forces

The INF treaty has focused attention on the importance of the last leg of the NATO triad - conventional forces. NATO has never had sufficient conventional capabilities; instead we have relied heavily on nuclear weapons, even though the Soviets achieved nuclear parity with the West in the '70s while continuing to build an ever-stronger conventional dominance.

While we do not need to match the Warsaw Pact man for man or tank for tank, we do need a conventional capability strong enough to frustrate aggression and increase the time before nuclear weapons would have to be used. Such a capability would preclude a hasty decision to use nuclear weapons and enhance NATO's strategy of flexible response. Deterrence would be more credible because Soviet planners could not be sure of gaining their objectives so swiftly that NATO would be unable to consider with some deliberation the use of nuclear weapons. Robust conventional capabilities and facilities would also demonstrate the collective will of alliance members to make the sacrifices necessary to ensure western security, thereby adding to the credibility of NATO's overall deterrent posture. Finally, strong conventional forces would bolster the self-confidence of NATO nations and ensure that the Soviet Union would remain unable to intimidate or coerce Western Europe in order to obtain political, economic, or military concessions.

Military Construction

With that overview in mind, allow me to review the critical contribution Military Construction makes to the vitality and credibility of our strategy and implementing capabilities.

Modern and efficient military construction is a high leveraged investment that provides facilities that pay significant dividends across the full spectrum of deterrent and warfighting capabilities. Our MILCON program is a major force multiplier which allows our forces to increase their mission capability without increasing their size. Our weapon systems are the most technologically advanced and manpower efficient that the research and development community can make. Modern maintenance and support facilities are required to increase both the longevity and the availability of these critical systems.

Adequate work, training, and living facilities are a primary factor in attracting and retaining the quality people needed to insure the readiness and sustainability of European Command's combat capability. Telling our Service members to work in substandard and inadequate facilities, or to live in deteriorating and unattractive quarters, or to send their children to overcrowded schools, is not the way to motivate a declining force structure to do more.

Funding the U.S. contribution to the Alliance Infrastructure fund, a fund that continues to grow in resources and capabilities, is a major success story in the continuing efforts to promote Alliance cooperative approaches to common requirements. Full funding of the U.S. contribution is necessary to keep this important program viable.

Finally, new construction or facility modernization has always indicated a society's commitment to an area, whether that area is the Western frontier of the 1800s or today's city slums. Likewise, a vibrant European Command MILCON/facilities program is a highly visible sign, to Allies and adversaries alike, of the continuing U.S. commitment to maintaining sufficient U.S. presence in European Command's area of responsibility.

To realize these necessary capabilities for fiscal year 1989, our proposed construction program in Europe totals just under \$1.1 billion, including \$500 million for the NATO Infrastructure Program. As mentioned by General Galvin in his

testimony before the House Appropriations Committee in February, the total FY 89 Budget has been developed to provide USEUCOM the necessary deterrent and combat capabilities. The requested MILCON funding level is the amount required to provide adequate support for new weapons systems, implement newly assigned programs and missions, to maintain adequate facilities for our current missions and weapon systems, and to provide a moderate improvement in the living and working conditions of our Servicemen and women. In light of fiscal realities, our proposed FY 89 MILCON request is less than the original FY 88 request, and identifies only critical USEUCOM requirements.

NATO INFRASTRUCTURE PROGRAM

The NATO common funded Infrastructure program is an Alliance-wide program which is funded by the mutual contribution of all NATO nations based on a fixed percentage allocation formula. The Infrastructure program is the principal source of funds for facilities and equipment to support directly operational plans and increase the readiness and sustainability of all NATO forces. The 1984 decision by NATO to double the size of the common-funded Infrastructure program to just under \$12 billion (at today's exchange rate) for the period 1985-1990 has been a major step forward. The U.S. forces are provided significant support from mutually funded facilities such as communications and early warning facilities, petroleum distribution systems, airfield facilities, and prepositioned storage facilities. Today, numerous, urgently needed facilities are being constructed by this program: hardened shelters at reinforcement airfields, prepositioning and theater reserve storage warehouses, petroleum storage and distribution facilities, ammunition storage facilities, and upgrading of airfields and naval bases.

A large portion of our European MILCON program provides the funds for the U.S. contribution to NATO Infrastructure. Failure to fund the U.S. contribution fully would directly and negatively impact projects supporting U.S. forces and seriously harm the U.S. position to increase eligibility criteria and expand the benefits to other U.S. construction requirements. Underfunding would also have a detrimental effect on our efforts to encourage additional burdensharing by the other nations and would detract from prudent management of the NATO Infrastructure account.

RECOUPMENT

In the area of recoupment of prefinanced projects, FY 87 was a banner year. We recouped \$78.8 million, over 40% more than in any prior year. This success is a result of hard work and emphasis at all management levels and is one of USEUCOM'S most effective and high priority programs. I am proud of the results. If we meet our goals for calendar year 1988, the backlog will be down to \$69 million which is scheduled for recoupment by 1993. While still a significant sum, consider the total was \$553 million a few years ago when our formal recoupment program was initiated. During the period FY 80 through FY 87, we recouped \$315.0 million, and deobligated \$67.4 million for a total return to the U.S. of \$382.4 million. Our projects in the program cycle (Slice 39/1988 and prior) but not yet completed have a total value of \$101.0 million. Our goal is to eliminate this backlog and complete all currently programmed recoupment actions by December 1988.

PROJECT PRONTO

Project PRONTO remains European Command's top MILCON priority. The readiness, command and control, and survivability of all forces in the Southern Region are receiving major emphasis within the NATO Alliance. The Command, Control, Communication and Intelligence (C3I) Center for the U.S. Naval forces is an essential facility in the Mediterranean area. This facility is responsible for coordination of all U.S. air, sea and underwater activities necessary to maintain Naval operational capability in the Mediterranean. The national nature of many functions which are to be performed in this consolidated facility and the fact that the requirement is to improve control of U.S. Naval forces, negate eligibility for NATO Infrastructure funding. Existing facilities cause current operations to be degraded due to physical separation and do not provide the necessary minimum level of survivability.

Congress has been provided detailed testimony over the past two years on the need to vacate the earthquake-prone buildings leased by the Navy in Naples, Italy. The FY 88 Budget Conference Report deferred without prejudice the funding needed to begin the relocation program. While recognizing the need to vacate the present C3I building in Agnano, Congress was not yet convinced the Navy's Capua plan was the best alternative.

The Navy is responding with a detailed review of the Capua plan and is prepared to testify on details of an operationally effective, more economical plan. The leadership of the European Command is gravely concerned over safety of life and continuity of operations at the Naples facilities. We should not delay further in moving ahead with this program. The U.S. Sixth Fleet task force commanders and the communications connectivity centered in Naples require survivable, modern facilities to continue their vital mission.

The new facility, as a keystone of the Project PRONTO relocation, will correct existing facility deficiencies, allow upgrade of electronic systems and will provide for integration of critical, time sensitive C3I functions. A second, equally important consideration is the need to move from Agnano since the structure is located near a major fault line and the current facilities cannot withstand an earthquake. The threat of catastrophic structural failure to the hospital and other facilities during an earthquake, coupled with the need for a modernized C3I facility, warrants the special attention given the Agnano relocation.

The capability to maintain an acceptable readiness posture at this facility will erode as equipment ages and facilities deteriorate. It will be impossible to retain an acceptable posture without modernization of equipment and replacement of facilities.

MAINTENANCE AND HARDSTANDS

Our next program, hardstands and maintenance sheds, support the readiness and sustainability of in-place and reinforcing forces. A top USEUCOM priority is to get soldiers out of the mud by providing minimal vehicle maintenance facilities that are either concrete slabs or three-sided, unheated, covered sheds. Even with the completion of this project, our maintenance personnel will operate in facilities far below the

standards set by our Allies. It is hard to believe that we require our soldiers to maintain multimillion dollar sophisticated equipment outdoors, on the unprotected ground, in all types of adverse weather. These inadequate facilities increase the time systems are down for maintenance, reduce the systems' operational life, and have a severe negative impact on the retention of our highly trained and regarded support and maintenance personnel.

High performance engines, turbo drive transmissions, computer guidance systems, laser targeting, and fiber optics are all high technology advancements which have been built into numerous new combat systems. Maintenance conducted on exposed high-tech components in adverse weather environments or in outmoded 1930 facilities will be significantly less effective. Sand, dirt, or moisture can quickly neutralize an exposed multimillion dollar piece of equipment. Inadequate maintenance will increase the life cycle cost of these expensive items and reduce their useful life.

Our commanders and men do the most magnificent things under the most adverse conditions, they are expected to do no less in time of war. In peacetime, in garrison, they should not have to practice to be miserable, they do that enough during their frequent field training exercises. The increasing value and sophistication of combat weapons systems require proper facilities to conduct maintenance in peacetime. Investment in adequate maintenance facilities are dollars spent most wisely. The cost of the vehicles to be maintained by this simple program is many times the \$36.6M cost of the slabs and sheds. Finally, our commanders have a difficult time asking a soldier to reenlist to spend another tour in the mud attempting to maintain our potent and sophisticated land warfare vehicles.

COMBAT MANEUVER TRAINING COMPLEX

Another of our top programs is the Combat Maneuver Training Complex (CMTC) at Hohenfels, Germany. This training area is the only major maneuver area available to U.S. Army forces in the Federal Republic of Germany for combined arms training against a dedicated opposing force. This concept has been universally accepted as an efficient and highly valuable program as currently implemented at the National Training Center at Fort Irwin in California. However, significant efforts and construction are required to render the European version at Hohenfels, Germany an adequate maneuver complex and acceptable base structure for the Opposing Force unit operations. If these facilities are not provided, the ability of U.S. Army units to train in a realistic environment, and under intense combat simulated conditions, will not be achieved. Training, effectively conducted, is a major element of combat readiness.

REICHEL SUPPORT FACILITY

Continuation of construction of the Reichel support facilities is necessary to provide a staging base to receive and sustain a U.S. reserve combat force in support of NATO forces in northern Germany. This complex provides facilities to receive U.S. reinforcing forces in NORTHAG, to sustain those forces for the critical first 7-10 days, and to provide support services to the existing U.S. forces in the area. The German government has already provided most of the facilities to house a peacetime brigade-sized unit at Garlstedt. Their investment in vehicle maintenance, dining facilities and administrative

building exceeds \$85M. NATO Infrastructure funds have been programmed for all eligible Reichel operational facilities. The geographic location of the Reichel complex is remote from established V Corps and VII Corps support commands. Therefore, some on-site facilities are necessary to provide the minimum quality of life for personnel assigned to the peacetime support units which are responsible for maintenance and accountability of the prepositioned equipment. Establishment of the Reichel complex fulfills a portion of the U.S. commitment to NATO for 10 divisions in 10 days.

APACHE HELICOPTER FACILITIES

Construction of critical facilities is necessary to provide adequate support to field the Army's most potent tank-killing system--the Apache attack helicopter. NATO Infrastructure eligibility is being actively and forcefully pursued for all facilities considered "minimum essential" in a wartime/ contingency environment. Stationing the AH-64 Apache helicopter in the European theater requires U.S. MILCON funds for the essential peacetime facilities. These "peacetime" facilities provide adequate parking, full squadron maintenance capability, and necessary squadron administrative facilities. If these MILCON facilities are not provided to supplement the NATO funded facilities, the peacetime operation, maintenance and support of this expensive, highly capable weapons system will be seriously compromised. Wartime readiness of these forward deployed units will not be at their optimum capability.

Construction of facilities at Vilseck is required to support relocation of a mechanized brigade (5 battalions) from Illesheim to Vilseck. The relocation of the brigade will permit fielding of 3 battalions of AH-64s at Illesheim in support of VII Corps. The reuse of existing aviation facilities at Illesheim provides for earlier fielding of the AH-64 units which also significantly improves the overall U.S. force structure. The forward relocation of the brigade improves their readiness and responsiveness in relation to their wartime employment. The existing Vilseck community cannot accommodate this troop strength increase without the additional facilities in our MILCON request. Completion of the full facility program is necessary to provide the support services to U.S. personnel equivalent to other locations in Europe. If these facilities are not provided, the soldiers at Vilseck will live in a substandard environment at this remote forward area location.

PEOPLE PROGRAMS

A significant, major, continuing program in the U.S. European Command is support to our Service members. I need not remind you that our young men and women in uniform serve with loyalty and discipline so that we may live in peace and security. Our troops often make sacrifices that would be intolerable in the private sector. They accept these sacrifices willingly, and take pride in helping defend our country and our way of life. From your past support, I know you are committed to taking proper care of our Soldiers, Sailors, Airmen, and Marines, and their families, by providing them adequate compensation, medical care, housing, and family care. We must ensure reasonable working, living, and recreational facilities are provided to all members.

At all levels within the U.S. European Command we view support for personnel programs as an integral part of the readiness and sustainability of in-place and reinforcing forces.

Quality of Life. Basic facilities to support service members and their families are a required adjunct to operational needs. Physical fitness centers, unaccompanied personnel housing, post offices, and morale, welfare and recreation facilities are an essential part of supporting USEUCOM forces. Primary emphasis is to improve the environment where USEUCOM people live and work. A Service member who is provided facilities of reasonable size, comfort and amenities will produce a higher quality professional effort in his duties. As the individual's hierarchy of needs are satisfied, individual fulfillment and personal pride will contribute added benefits to the Service. Resources wisely expended to satisfy these basic requirements directly contribute to initiatives which encourage the best people to reenlist and extend beyond their normal tour. This reduces costs of permanent change of station moves. Personnel facilities dollars are quickly multiplied by the dedication given by the Service member.

Family Housing. Our goal is, by FY 92, to have adequate leased or military family housing available to provide all command sponsored military personnel with suitable quarters within 60 days after arrival. I solicit your support in this area which I believe to be vital to our forces in Europe. While Congress appropriated the requested funds for our FY 88 programs, the dramatic decrease in the value of the dollar caused a decline in the benefits we originally expected to gain from these funds. Our request in FY 89 for new housing units is very small (88 units at Hohenfels) but is submitted to correct a most critical shortage. Our Service members and their families deserve adequate housing while serving in a foreign country. We must give the housing program our full support. They must know that they have the support of their leaders and their Congress.

Schools. The quality education of dependents overseas is a crucial concern of our overseas families; accordingly, the DOD Dependents School (DODDS) system is of paramount concern in our people program. The DODDS program is essential to insure the best, highly qualified enlisted and officer personnel are supportive of overseas assignments. The DODDS system must maintain educational programs on a level equivalent with high stateside standards. Today, in Europe, many of our schools are in temporary, converted, and make-do facilities. We have long been faced with problems of substandard, aging, and overcrowded facilities which are not conducive to a quality educational program. If military personnel perceive that their children do not have the advantage of a quality education at an overseas locale, they will be resistive to overseas assignments. The requested DODDS MILCON program provides additions to nine schools to eliminate serious problems of substandard, aging and overcrowded facilities. This construction is an essential investment in our military and our dependent youth - they must not be treated as second-class citizens.

CURRENCY FLUCTUATION

I would like to elaborate on a subject I have already mentioned in passing - the tremendous negative impact the foreign currency fluctuation dilemma has had on our European program. Due to the declining value of the dollar we cannot purchase the services and construction we programmed. In fact, we have had to delay a number of new construction projects, reduce services, and cancel our housing attic conversion program (which by the way is a relatively low cost way to

provide additional housing units), as a means to pay for the Foreign Currency Fluctuation Account (FCFA) shortfalls. This is no way to operate but our alternatives are few unless we can obtain your support for an adequate level of appropriations for this account.

In general, MILCON projects are identified, and associated costs established, at least two years in advance. Many MILCON projects in the FY 89 Budget were developed in 1986, initially forwarded to Congress in 1987, and are now under your review for execution in 1989, a three year process. Despite efforts to keep the costing data current, the dollar will not buy in 1989 what it would have bought three years ago in 1986. For example: a \$300 million MILCON program, costed at an exchange rate of \$1.00 to 2.06 DM, authorized and appropriated by Congress, will cost today, at a rate of \$1.00 to 1.70 DM, an additional \$63.5 million to construct that program. This shortfall will necessitate either project cancellation or deferral until sufficient additional funds are provided to handle this shortfall. In either case, CINCs are in a Catch-22 position with our soldiers and their families the ultimate victims.

Based on our current construction load (FY 85 - 88), a five pfennig drop in the value of our currency causes us to experience an estimated \$10 million funding deficit that can only be offset by deferring projects which, in essence, mortgage the future. For every dollar that we must apply to this problem from other accounts, we detract from mission readiness and serviceman retention.

This situation also adversely effects both the amount and the purchasing power of the U.S. contribution to the NATO Infrastructure Fund. The continuing decline in the value of the dollar requires a higher U.S. dollar expenditure for a constant NATO standard Infrastructure Accounting Unit (IAU) value. For example, in January 1985, 1 IAU = \$2.355; now in January 1988, 1 IAU = \$3.966. In the past three years the cost in U.S. dollars has increased almost 41% to buy the same value of a facility.

BURDENSARING

As I addressed the key European command MILCON requirements, I also briefly highlighted several of the significant contributions that the other Alliance members are making toward our shared commitments to common defense. Let me expand upon those observations.

While we often think of the Alliance as a "whole", it is made up of 16 sovereign nations. These 16 individual nations are very diverse in many significant aspects: geographical size; gross national product; historical bias; political system and varying electorate concerns. Additionally, within each nation, there are competing political parties and widely diverse constituency concerns. As Congressmen, each of you is intimately aware of the challenges associated with gaining passage of a single piece of legislation; the rigors of identifying constituent desires, processing those interests through the Congress, compromising where necessary and building consensus. Within the Alliance, and this is not often well understood, U.S. interests face the same challenge. Despite all this diversity, the United States works very hard, with the Alliance as a whole and bilaterally with individual nations, to chart a common course.

Previously, I referred to the Alliance as "the most successful peace movement in modern history". Considering all the diversity and well published disagreements within the Alliance, the extent of consensus within the Alliance on major issues often surprises many people. Within the Alliance, there exists a solid consensus on the fundamental issues: a common strategy of flexible response and forward defense; an agreed-to set of national contributions to the Rapid Reinforcement Plan and the common Infrastructure Fund; support for an integrated long range Alliance view as expressed in the Conventional Defense Improvement effort and Conceptual Military Framework; involvement in numerous cooperative research and development and production programs; Alliance solidarity on the dual track decision to deploy GLCM/PIIs while negotiating for LRINF reductions; and, most recently, support for the INF treaty.

Gaining consensus on these major issues in and of itself is a real success story for NATO. This level of agreement, on so many issues by sixteen independent nations, is perhaps unmatched in modern history. As we pursue the delicate art of compromise and consensus building on how these agreed upon positions are implemented, we should be ever mindful of the solid consensus from which they flow.

We, as an Alliance, will continue to be confronted with some very thorny issues and we should continue to face them head on---yet mindful of each individual nation's sovereign rights and the desire to strengthen the Alliance as a whole. Future success, including expanded burdensharing within the Alliance, will often be based on the continued positive vision and leadership by the most powerful and influential nation in the free world, the United States. But we should refrain from abusing that power and influence by taking actions that can be viewed by the nations as attempts to coerce or intimidate the Alliance. As has been demonstrated clearly in the past, despite the diversity within the Alliance, the major issues can and will be resolved in a manner that contributes to the strengthening of NATO.

While all Alliance members can and should do more, and General Galvin addresses this issue with NATO nations on an almost daily basis, the collective nations do contribute more than is commonly perceived. No simple or complex measurement device has yet been developed which will indicate a nation's "fair share", but let me share with you a few indicators which are not widely known.

If you review defense expenditures since 1971, only three countries -- Denmark, Portugal and the United Kingdom -- have an average annual defense budget growth that is lower than the U.S. While the U.S. Defense budget is global in nature, including our commitment to NATO, most other nation's defense budgets are focused exclusively on defense of NATO.

Of the 2.6 million men on active duty in NATO Europe, the Europeans contribute 2.3 million. In terms of equipment, the Europeans provide 80% of the combat aircraft and tanks and 70% of the fighting ships in the European theater. If the Alliance had to mobilize for war, the Europeans will provide 10 million of the 14 million men that would be mobilized.

Our European hosts also absorb the enormous political and economic costs involved in the stationing and training of a large number of foreign troops. The Federal Republic of Germany and the United Kingdom provide \$20 billion of real

estate for use, at no cost, to the Alliance. Additionally, Germany, the size of Oregon but with the equivalent of 25% of the U.S. population, hosts over 5,000 annual exercises and tolerates in excess of 580,000 annual military aircraft flights, including many noisy flights conducted at very low altitudes.

In sum, the European Allies make a substantial contribution to the collective defense, more than for which they are often given credit. Still, both they and we need to do more, and not just in terms of spending. We will all have to strive for a more coherent approach to virtually every aspect of the common defense and the U.S., as the acknowledged leader of the Western world, should be prepared to bear the costs associated with that leadership.

CONCLUSION

I therefore strongly urge your support of a balanced fully funded military construction program as one of the key resource elements in our deterrence posture. We must continue our progress and encourage our Allies to shoulder their burden by our leadership example. Readiness and force modernization are vital if USEUCOM is to maintain any momentum in enhancing our conventional force capability. Any further reductions to our military construction program will seriously impede those efforts. Additionally, a forward deployed force such as ours deserves a living and working environment that is equal to that experienced by our CONUS based military personnel.

European Command's \$1.1 billion MILCON Program represents our bare bones needs and we ask for your full support and assistance in insuring sufficient funds are authorized and appropriated to ensure these projects actually come to fruition.

KENNEDY BOOK ON U.S. FOREIGN POLICY

Senator SASSER. Thank you very much, General Richards.

Secretary Armitage, in your opening statement you indicated that you had read Professor Kennedy's book, and apparently this book has had some impression on you and on your thinking. It is a powerful study of human history, and it is a book that I would recommend to all who are interested in American foreign policy to read. But I find that Professor Kennedy makes a powerful case for burdensharing in his book. He makes the point that the United States is declining in relative strength but is not declining in absolute strength. In absolute strength, the United States continues to increase its power. The decline only comes when our power is compared with that of our allies. As a matter of fact, our power is now increasing vis-a-vis that of the Soviet Union in absolute terms, that of the United States.

Now, as our allies increase their share relatively, and as we decline relatively, do you not think that makes a powerful case for increased contribution to the common defense on the part of our allies?

Mr. ARMITAGE. Absolutely, and I do not argue at all with Professor Kennedy's discussion of burdensharing per se. I just thought that in his book, when he talked about the future, he did not take into consideration the things which are different about our society from those great powers of history, and I think that leaves many Americans with a kind of frightening message. But I have no quarrel with his discussion of burdensharing per se.

Senator SASSER. I was struck by General Richards' testimony that here we are, almost one-half a century after the Second World War. In 1945, the power of the United States vis-a-vis that of the Europeans was significantly greater than it is today, but here we are almost one-half a century after the Second World War. The General tells us we have 325,000 military personnel in Europe, and if memory serves me correctly, General Richards, they are supported by over 300,000 civilian employees and dependents. So we have got a total of about 650,000, maybe approaching 700,000 Americans in Western Europe dedicated to the defense of that region one-half a century after the Second World War.

Also it was interesting—

Senator STEVENS. Mr. Chairman, would you yield at that point?

Senator SASSER. I will yield to the distinguished Senator from Alaska.

Senator STEVENS. You should add to that in country people who are employed by the Department of Defense, and we will be up to about 1 million.

Senator SASSER. I was also interested, Mr. Secretary, in Professor Kennedy's book to note that when he compares the United States to the British Empire he said that, as I recall, that the British, at the height of their reach, had approximately 25 percent of the world's wealth, and they have fallen back to where they should be based on population and natural resources of about 3 percent now. At the height of our reach, we had 40 percent, and if his theory is correct, we are sliding back to

where we, our natural base ought to be in population and resources of about 18 to 19 percent.

I think it is the duty of those of us here in the Congress, if he is correct in that theory, to stretch that slide in relative strength out as far as we can, perhaps another century or two.

Mr. ARMITAGE. I am all for that, but to be fair, Mr. Kennedy does not discuss in his book, Mr. Chairman, the price of not doing what we have done. First of all, I do not know how we would calculate it, but clearly we chose a path that was different from all those great powers of the past. Instead of coercion we used persuasion. For instance, instead of exploiting, as all those great powers which he cites did, we could have politically and economically and militarily shackled Japan and Germany, but we did not. We lifted them up. And now we compete with them in the economic sphere and in the workplace rather than on the battlefields.

For me, I am delighted to have my skills tested in the marketplace rather than on the battlefield.

Senator SASSER. I think it is clear, Mr. Secretary, and I think most members of this panel would agree, that we do need to have our allies do more to help to relieve the burden of the defense of the free world that is thrust upon the United States.

REPORT ON BURDENSARING INITIATIVES

Last year, this subcommittee required a report on specific burdensharing initiatives to be undertaken during the year. The report received by the committee last year, I am sorry to say, was considered to be unresponsive, and it contained no specifics and no new initiatives.

Again, this year, the committee has required the Department of Defense to submit such a report on specific burdensharing initiatives being undertaken.

Based on the discussions that I have had in recent days with Secretary Carlucci and discussions between the committee staff and his staff, it appears to me that substantial progress is going to be made in this year's burdensharing report. In fact, the subcommittee was pleased to grant the Department's request to delay submitting the report because specific proposals are not ready now that would be ready if given a little more time. And I spoke to Secretary Carlucci last Friday, and I might say to Senator Stevens and Senator Reid who has joined us here, that I am pleased with the innovative thinking and the amount of effort that appears to be going into the report on burdensharing this year.

And I look forward to the subcommittee receiving the report later this week.

I might say parenthetically that on Wednesday of this week I will be meeting with the Deputy Secretary of Defense, Mr. Taft, to discuss the specifics of the report and to review measures which would be appropriate to suggest to our allies in the form of burdensharing.

I think we ought to make it clear that in my opinion, this burdensharing issue is not going to go away. It is not a partisan issue, for in-

stance. I think you can judge by the comments that my distinguished colleague Senator Stevens has made here today. The question of burdensharing is a bipartisan issue. I think it is a reflection of a deeply felt concern by the American people that our allies are simply going to have to contribute more in terms of financial contributions to our defense.

I was struck by a poll that I saw not too many weeks ago in which young Americans between the ages of 19 and 35, an overwhelming percentage, perhaps as large as 70 percent, indicated that they were not willing to go to war even if Europe were attacked, were not willing to go to war to defend Europe, and I think recent public opinion polls indicate that these Americans, large numbers, simply will not support U.S. forces defending Europe against attack. And these are very dangerous trends for the NATO alliance.

As their strength increases relative to the United States, the importance of the alliance, I think, grows rather than diminishes. And I would submit that American public opinion can be turned around if our citizens are convinced that our allies are doing more in the common defense.

And that is one reason I am pleased with Secretary Carlucci's attitude concerning these issues.

Now, I would like to turn our attention toward the F-16 Wing which is based in Spain.

Mr. ARMITAGE. Mr. Chairman, could I clear something up before you continue, with your indulgence?

Senator SASSER. Yes, right.

Mr. ARMITAGE. Senator Stevens in his strongly felt opening remarks was, I think, referring to my testimony. I want to make a distinction if I may, Senator. Bashing, I will say again, is wrong. Criticism is necessary; it is right in terms of both the administration and the Congress for different reasons. We have a duty to be critical.

My distinction between criticism and bashing is the following. Criticism is on the mark, and it is factual; and very often, bashing is not on the mark, and it contains errors of fact which allow bureaucrats in whichever country, Japan or whatever you are criticizing, to wriggle off the hook, and it also runs the danger of having a backlash in the society.

So please understand, Senator Stevens, that factual criticism is not what I am talking about, but off-the-mark criticism is.

Senator STEVENS. If the chairman will allow me, I think that reminds me of the story Harry Truman used to tell about the fellow that had the 2 by 4 and the Missouri mule, and he used to go out every morning and hit the mule over the head.

Do you remember that?

Mr. ARMITAGE. To get his attention.

Senator STEVENS. That was all he had to do was to get his attention. He said he was not bashing them, now, he just wanted to get his attention.

There is a nice, fine line in between there, what is bashing and what is not, because somehow we have got to get their attention.

MR. ARMITAGE. I know, and I must say, if you will allow me, that the way that Members of Congress can most effectively get their attention is to do what some House Members did recently, they really lowered the boom on parliamentarians in Japan. It was excellent, and the feedback was wonderful.

But there are proper roles for all of us. I knew you were upset, and I did not want to leave you that way. There is a difference in my mind between criticism and bashing.

Thank you, sir.

F-16 AIR WING IN SPAIN

Senator SASSER. Let me return to the question of the F-16 Wing that is based in Spain.

MR. ARMITAGE. Sure.

Senator SASSER. I am pleased to learn that progress is being made toward relocating the 401st Tactical Fighter Wing to another southern flank country in Europe. This subcommittee had included language that prohibited U.S. funds being used to relocate this fighter wing in Europe, feeling that this was a NATO responsibility and that if the fighter wing was to be relocated, it should be done by a joint NATO effort and should be relocated by joint NATO expense.

So I am pleased that there are signs now indicating that NATO will work with us and work within the alliance in relocating this wing somewhere in the southern region, hopefully Italy, but certainly I am hopeful that an appropriate basing solution can be worked out.

I think that Spain's decision to move this fighter wing was the first time that a NATO ally has kicked us out of a country since France removed all of the United States forces there in 1966, and I think the case needs to be made very strongly that if a NATO country unilaterally denies a NATO ally, in this case, the United States, a base in their country in the common defense, then NATO itself should have the expense of relocating that base if it is to be relocated rather than just the United States doing so.

Now, what most concerns me about the problem in Spain, at Torrejon with this F-16 Wing, is the impact that this decision could have on other base rights negotiations that we are going to be facing shortly. I am particularly concerned about what Greece is going to do with regard to asking us to remove the base that is located now at Hellenikon. Unlike the 401st, our missions in Greece there are not specifically and totally NATO missions, so we cannot look to NATO or count on NATO paying the moving costs. This subcommittee is going to have to find the money.

BASE RIGHTS NEGOTIATIONS IN GREECE

What are the current status of the base rights negotiations in Greece? Does that fall in your bailiwick, Secretary Woodworth?

Mr. WOODWORTH. I think it would.

Senator SASSER. Why do you not pull the mike on and give us an answer?

Mr. WOODWORTH. Thank you, Mr. Chairman.

We very much are mindful of the general points you have made about the potential impact of the result of the Spanish negotiations and the removal of the 401st from that country, not only in the context of that specific unit, which causes us some concern, and we were disappointed in that outcome, to be quite frank, but also what impact this could have on perceptions in other countries where we are negotiating.

You have asked specifically about Greece, which is one of our allies with whom we are currently negotiating about the renewal of our base agreements. Those negotiations began last November, and we have now had I think four sessions with our Greek counterparts, and the most recent 1 week ago. We will be moving on a schedule of negotiating sessions roughly once a month for the balance of this year, to be intensified as required by the scope and nature of the negotiations.

I do not want to speculate or even attempt to predict what particular issues over any particular bases might emerge from the negotiations in order to avoid the difficulty of divulging the specific content of what is, after all, a confidential negotiation. What I can say is this: The talks have been proceeding in a manner we view as constructive. Specific issues as to particular bases have not yet arisen. We are hopeful that, as the negotiations advance to specific cases, we will find the Greek Government to have a constructive attitude. So far that has been there.

There have been indications, but more of a general kind, that they may wish to review certain of those bases. But until specific proposals or issues have emerged, I think it is better not to try to predict that but to proceed with an optimistic approach toward resolving and renewing a base agreement that both the Government of Greece and the United States can regard as being in the mutual interests of both countries, and frankly, in our view, one that will also be supportive of our alliance objectives in the southern region.

Senator SASSER. Mr. Secretary, I would have to tell you that as chairman of this subcommittee, I would say that if Greece were to ask us to leave that base, I would not be inclined to relocate the base at another location in Greece. Based on our calculations, it would cost \$250 million to relocate the Hellenikon base, and I do not believe this subcommittee would be inclined to invest that amount of money from this bill in a country that might ask us to leave even from the new location after it is constructed.

This base at Athens puts \$55 million a year into the economy of Greece, and I suspect that if we had to leave Athens—and I hope we do not have to—we could find another country in the region which would appreciate that economic impact.

I would add, if we were asked to leave Greece and the Greek Government insisted that we relocate or perhaps into Crete, I would urge that the required military construction funds be offset with an equal reduction in the amount of foreign aid funds that we provide Greece. I think we have got to continue to press our NATO allies to be full partners in all of our defensive arrangements in that region. It is going to be a tragedy if we are not able to relocate this 401st Tactical Fighter Wing someplace in southern Europe, because if we do not, what it is going to amount to is a—and we bring that wing home or we disband it, that is going to amount to a conventional force reduction in Europe at a time when our European allies claim to be very concerned about a conventional force reduction in light of the INF negotiations.

I will yield at this point to Senator Stevens.

DENIAL OF FUNDS FOR MOVING GREEK BASES

Senator STEVENS. You are very kind, Mr. Chairman. I want to concur in a bipartisan way with what the chairman has just said. We see these pressures from Greece in a continuum, and I think I particularly do because I was involved in the last go-round of threats from Greece, which was 12 years ago, about that, 10 or 12 years ago, and I remember visiting there with Senator Jackson and others. We had a meeting with the President and had conversations about our relationships there. I agree with what the chairman says regarding our ability to put up money to move that base.

I think we have to get a decision whether we are going to continue to be welcome in Greece.

Secretary Armitage, I want to continue a little bit with what you have said because I did read your statement, and it does seem to me that the Department ought to be aware of some of the feelings that we have here. There are very few of us still here who voted on the Mansfield resolution. I think, however, if you talk to those of us on our side of the aisle who voted against the then Senator Mansfield, that would be probably the single issue that we voted on that we still question whether we were right, because Mansfield was saying if you leave those people over there, we are going to build up a great debt keeping them there, and they are not paying to support our forces.

Now, we left them there, and we have that enormous debt, and now you say you are willing to have your skills tested. I think our generation has had our skills tested. Most every one of us here was involved in a war in our lifetime. But the question is not our skills; the question is our children and our grandchildren, can they have their skills tested when we give them such an enormous debt and we pass on to them the heritage of maintaining the largest force overseas that any peaceful power has maintained in the history of the world.

I say that advisedly. I think you can test that. My friend Secretary Woodworth might challenge it, perhaps, but I think anyone else that has been involved in maintaining such a force has had wars in the area they maintained the forces; we have not.

INCREASED CONTRIBUTIONS FROM JAPAN

Now, I do believe that we have to look at this now because, for instance, you give us figures in your statements about the increased contribution of Japan. What would those figures be, Mr. Secretary, if you used a constant value of the dollar rather than a constant value of the yen?

Mr. ARMITAGE. Well, the amount of money in the defense vote this year would obviously be less than the approximately \$30 billion.

Senator STEVENS. Would be less than what they were putting up in 1981, in terms of our dollar?

Mr. ARMITAGE. Well—

Senator STEVENS. Why do you not just put them in the record just to prove my point, all right?

Mr. ARMITAGE. Fair enough.

Senator STEVENS. But let's not argue about statistics that I do not have and you do not have.

[The information follows:]

YEN CONTRIBUTIONS IN TERMS OF DOLLAR EQUIVALENTS

Between 1981 and 1987, Japanese contributions in current yen increased 43.4 percent, from 156.64 to 224.64 billion yen.

If the dollar equivalent had increased at the same rate each year as the yen expenditures did, the results (given below in millions of dollars) would, of course, have been different from the equivalents actually generated by exchange rate shifts:

[In millions of dollars]

	1981	1982	1983	1984	1985	1986	1987
Dollar equivalent without exchange rate fluctuations	669.4	727.6	777.3	808.6	861.5	920.4	959.9
Actual dollar equivalent	669.4	703.5	765.3	833.9	775.4	1,223.9	1,881.8

Conversely, between 1981 and 1987, the Japanese contribution as measured in current dollars increased by 81.1 percent, from \$669.4 million to \$1,212.4 million.

If the yen equivalent had increased at the same rate each year as the dollar amounts did, the results (given in billions of yen) would again have been different from the actual results:

[In billions of yen]

	1981	1982	1983	1984	1985	1986	1987
Yen equivalent without exchange rate fluctuations	156.6	164.6	179.1	195.1	181.4	286.3	440.3
Actual yen equivalent	156.6	170.2	180.6	189.3	201.6	215.4	224.6

The dramatic rise in value of the yen in terms of the dollar since 1985 has meant that Japan has been able to supply us with a great deal more support—in fact, about twice as much—in dollar terms than their yen outlays would otherwise indicate. Nonetheless, our natural tendency to focus on this circumstance should not distract us from the central matter of what Japan has actually contributed. For our present purposes, the most important thing is not the effects of exchange rate fluctuations, but the almost 45 percent increase in Japanese yen contributions from 1981 to 1987, including an 11.4-percent increase during the 1985–87 period alone.

One further aspect of this matter should be noted. To the extent that our forces require goods and services of Japanese rather than American origin—and much of our support would fall into that category—we should not try to wash the effects of the exchange rate out of our comparisons. It is true that the Japanese would not spend many more yen today than in 1981 for such goods and services, but it is also true that, if we were forced to pay for them ourselves, we would have to spend about twice as many dollars as 7 years ago. This, I would venture, is the kind of situation that all of us who are interested in budgets should sit up and take notice of.

JAPANESE VALUATION OF YEN

Senator STEVENS. It is my feeling, then, we constantly look at this in terms of their GNP and their yen, and we are looking now at this problem, I believe that they have artificially pegged the value of their yen by buying in the world markets, and they have outfoxed us now in terms of valuing their currency.

Mr. ARMITAGE. That is a good suggestion.

Senator STEVENS. It has cost us so much that they are doing now with their yen which they never could do with their bullets in my day. When I visited Admiral Hays in Hawaii just 2 weeks ago, there was an article in the paper that morning, Admiral, that interested me. One young man from Japan has spent \$1½ billion in 18 months acquiring homes in Hawaii. He is a Japanese young man.

Do you remember that story, Admiral?

Admiral HAYS. Yes, sir.

Senator STEVENS. Interesting story, Mr. Secretary, because you have to—

Mr. ARMITAGE. He then went back and resold them at an enormous profit, if I remember the story.

Senator STEVENS. He had not sold them yet, but—

Mr. ARMITAGE. That is what he is going to do.

JAPANESE FINANCIAL INVESTMENTS IN ALASKA

Senator STEVENS. The real problem is that the yen has outreach now that we have got to understand, and if you do not understand my feelings, consider the fact that the Japanese own almost every major producing asset in my State today. Most people do not realize that. They own most of the hotels, they own the pulp plants, they own the ski resorts, they own the fishing areas, and those that they do not own they have got under contract.

Now, that is the yen that has done that, not their skills, because we still catch the fish; we still produce the pulp; we still operate the ski resorts. The yen has conquered a great portion of America now, and I do not think you see it the way we do.

And you say it is Japan bashing. I do not think it is. I think it is time for us to realize it may be time for a Mansfield resolution on Japan, and would it not be ironic that he is the ambassador at the time I raise that, because it seems to me that we have got to find a way to make them realize they are not paying a fair share of our maintenance.

Just take, for instance, some of the costs, unique costs. Overseas station allowances, we have supplemental funding for civilians based on cost-of-living indexes in terms of exchange rates. Dependent student travel, with my five kids that were in college at one time, if I had been in the Navy stationed in Hawaii, they all would have had a trip over to Japan to see me.

Now, those are costs, we have commissaries and exchange pricings in Japan based on United States values, not upon Japanese values; transportation costs for the commissary and exchange goods, a couple of hundred million; utility costs in Japan, one-half a billion; contributions to NATO, about similar things. The foreign currency account I already mentioned.

Now, you look at this from the point of view of the cost of maintaining your forces abroad, and we look at it from the total cost of the impact of having those forces abroad on our budget, and we are doing more and more analysis of it, and in my judgment, gentlemen, Japan comes up short. For instance, Mr. Armitage, you used the figure in this budget, as I understand it of 163.1 to 1 for the yen. It is now 128 to 1, since you have presented your budget.

That has a substantial impact.

Mr. ARMITAGE. Yes; I do not disagree with anything that you have just said. In fact, I agree with your opening statement about the necessity to open dialog and somehow to get an arrangement so the fluctuations in the yen do not work to the detriment of U.S. service people overseas.

My whole point about criticism vice bashing is that I do not think you can expect sovereign countries to come along the way we want them to if you do not criticize them factually. You have just made a very good criticism on one particular item, one that I think is interesting, and I would be glad to see it in the record.

But it is only fair to acknowledge what Japan has done. That is my whole point in my testimony: To let people see what they have done. Then criticisms for the shortfall are warranted; indeed, they are welcomed.

U.S. ASSISTANCE TO AXIS ECONOMICS AFTER WORLD WAR II

Senator STEVENS. Well, let me say this. A friend of mine told me the other day when I was talking about the extent of the national debt that I should look at the extent of the debt we had compared to our GNP in 1946. Interesting thing, as a matter of fact. But even with that debt we still had, the debt coming out of World War II, we still had, as you said, the foresight not to treat the people we had been engaged in war with as conquered. In the full sense, we did help them get back into their full economic status.

But now they have got that. The question remains, if we are to follow your advice and keep troops over there, why, now that their economy is going full tilt and better than ours, should my children and my grandchildren pay the cost of keeping those troops there? Why shouldn't

their children and their grandchildren start paying some of our cost of their defense?

Mr. ARMITAGE. Well, clearly they should. I think they should. There is not an argument.

Senator STEVENS. Well, today the Japanese are spending, they are paying 40 percent of just the cost of keeping our forces in Japan, not the total cost of our forces in Japan.

I will prepare that cost for you sometime, if you would like to see it.

Mr. ARMITAGE. I think I have it. I think it is between \$3.6 billion and \$4 billion, including salaries.

Senator STEVENS. That does not include all these fringes I was talking about.

Mr. ARMITAGE. No; it does not.

Senator STEVENS. There are extra costs of keeping troops overseas, that those troops would not cost if they were here.

Mr. ARMITAGE. That is right.

Senator STEVENS. Where do we start? Where do we start in this regard? It is not, I agree with you, it is not just buying more hardware. It is some type of burdensharing that is meaningful, or in my judgment, Mansfield is right. We bring them home.

I am not going to introduce that resolution this year; I am going to introduce it next year, though. I think it should not be an election year decision, but I do think it should be a decision that ongoing Members of Congress should face just like we faced it when Mansfield, who incidentally was then the age I am now. Suddenly, maybe I have caught up with his wisdom. I am not sure, but maybe.

Mr. ARMITAGE. May you live as long and as healthfully as he does—

NATO EXPENSES

Senator STEVENS. And Mr. Woodworth, it will apply to you, too. It is not just Japan bashing, because the costs in Europe are excessive, and yet we face constant problems, as the chairman has mentioned, from the countries which have our bases. And at the same time, the Secretary suggests that we have a commission appointed to determine what bases we close here in the United States.

Now, to me those are inconsistent, and I think it is—I am really not asking for statements. I think I am giving the Department of Defense notice. There is no Senator in the U.S. Senate today that has supported the Department of Defense more than I have, and I have been on this committee now as a Republican in defense longer than any other Member, and I put you on notice that that is coming to an end unless you find some way to make these allies support the costs so that my children and my grandchildren do not face the problems I perceive they have now.

End of statement. I hope that we can work together. If we cannot, if we cannot, gentlemen, then we will have some real hard times ahead, because I think I speak for a great many of the people who have sup-

ported the Department of Defense in the past and continue to support them, and what we all have to do in terms of maintaining freedom throughout the world. But it cannot be at the expense of future generations.

Thank you, Mr. Chairman.

Senator SASSER. Thank you, Senator Stevens.

PERCENT OF GROSS NATIONAL PRODUCT

You alluded just a moment ago to some figures that you saw which indicated comparing the percent of GNP represented by the public debt just after World War II and the percent of GNP that would be required to pay our public debt today, and I assume that those who are showing you those figures are showing them to you to indicate that the percent of GNP allocated to public debt was larger after World War II than it is today, but there is a difference, and the difference is that after World War II, we owed that debt to ourselves.

We are now borrowing to cover our budget deficits, we are borrowing about one-half of that money from abroad, and as you know, Senator, one-half of that money we borrow from abroad, the lion's share of it comes from the Japanese. So our friends the Japanese are loaning us money at interest to support some of these bases in the Japanese home islands. That case could be made.

Senator STEVENS. You could go further than that and say when we borrow from the Bank of America, we are borrowing from the Bank of Japan anyway.

Senator SASSER. Senator Reid?

Senator REID. Thank you very much, Mr. Chairman.

I have read your statement. I think it is excellent. It outlines some of the contributions that Korea and Japan are making. But, I think Senator Stevens and the chairman have made a good point. Sooner or later there is going to have to be more done by our allies. This huge standing force that we have in Europe, we talk a lot about it, but it seems just to go on and on and on.

401ST TACTICAL FIGHTER WING IN SPAIN

Other than that comment, I would like to ask someone on this panel why Spain has asked the 401st Tactical Fighter Wing to leave.

I would like a response from someone here as to why because I really cannot, for the life of me, figure out why they would want it to depart.

General RICHARDS. Well, I think the best answer, short answer, is that it was a political decision: The 401st, being stationed outside Torrejon, is too visible to the people of Madrid; and the city has grown out almost to enclose the base; and they feel the presence of American forces there plus the noise associated with a large wing like the 401st, which has 72 F-16's, is not acceptable. So it is a combination of visibility in the nation's capital and the noise.

Senator REID. General, I met last year with the Secretary of the Air Force, have spoken to him since then, and he has certain budgetary things that concern him, and he has certain directions that he has to follow. But I do not think I am telling tales out of school when I say that he is very concerned about our tactical fighter wing strength.

All the studies show that this country, to have an adequate tactical fighter wing force, should have 44—at least that is a figure that I have been given several times—44 tactical fighter wings. If we are not able to relocate the 401st, and the 474th at Nellis is deactivated, this will drop the tactical fighter strength of this country down into the middle thirties, is that not right?

General RICHARDS. That is correct. I think 35 is the Air Force's figure.

Senator REID. Now, that is nine below what we should have.

This is especially concerning to me when we have the INF treaty, which we all are looking forward to debating on the Senate floor. We are now in the committee hearing stage. But certainly a fallout of the INF, all the experts say, is that we are going to have to really be watchful regarding our conventional arms, which would include tactical fighter wings.

I guess what I am saying is are we looking at this down the road, or are we establishing our budget priorities from year to year? It appears to me that it is easy to take away a fighter wing. Try to put one back; that is difficult. I just met with some people in the back room here who are concerned about a reconnaissance National Guard unit in Reno, NV, that is now causing concerns because it is too noisy, and there is a demand to do away with it or get some new airplanes.

It just seems that this budget crunch is not giving us the opportunity for any long-range planning, because if we do away with that National Guard unit in Reno, we are never going to get it back. If we do away with the 474th, we are not going to put it back because Nellis, you know, is very busy anyway with Red Flag and all those other things.

So General, I would just like some comments from you or Mr. Armitage about what can we expect for long-range planning? It appears to me that we are plugging a lot of holes here, and that is in effect all we are doing.

General RICHARDS. Well, let me first turn to the 401st as we view it from the European standpoint.

The loss of the 401st as a NATO asset would be a significant blow to NATO, in our view, and I know I speak for General Galvin when I say that, and especially to the southern region. It is the most potent force we have in the southern region aside from our naval forces assigned to the Mediterranean, a significant loss if that were to happen.

We are very hopeful that that will not happen, that our NATO allies will step up to the costs of relocating the 401st. They appear to be moving in that direction. Although I have nothing firm, I am fairly confident that they are going to step up to that cost and that we will relocate the 401st somewhere in the southern region before we have to

move out of Torrejon, and that they will provide all the funds necessary to do that.

MOVE OF 401ST TO ITALY

Senator REID. But then again, General, talking about moving it to Italy, that is not really next door. You know, that would be a significant distance.

General RICHARDS. Well, it would be a significant distance, but as it turns out, the forces that we have there in Torrejon, the 401st, actually deploy their forces forward to Italy and Turkey, and they rotate in and out.

Senator REID. And so if that works out, that would be——

General RICHARDS. So it would really be——

Senator REID. To our advantage.

General RICHARDS. Yes; it would. It would not be a bad move for us.

474TH TACTICAL FIGHTER WING

Senator REID. Let's talk a little bit about the 474th then, and are there other tactical fighter wings you are talking about?

General RICHARDS. Well, again, I cannot speak for the Air Force since I am wearing a purple suit now, and I am not up to date on all the Air Force issues, but I know that we are looking; our minimum required was 40 tactical fighter wings, and it looks like we are dropping down maybe as low as 35. It is the will of Congress to reduce defense spending. We have to reduce force structure given the budget that the Air Force is going to have to have, or will have. We want to maintain readiness and sustainability of the units that we have and that has been our top priority, people and readiness and sustainability, at the expense of force structure.

Senator REID. Now, I am certainly not going to get into a semantics battle with you, General, as with Senator Stevens, when Secretary Armitage was talking about ally bashing; I am not going to get into a word battle with you about Congress doing it because the fact of the matter is Congress saved the 474th last year, much to the relief of some people in the Air Force.

The direction to take the 474th away is not something that Congress thought up. It came from the administration. It was part of the budgeting process.

So there are those of us in Congress who are going to attempt to save that wing again, but each year it gets harder because of the budget situation.

But your acknowledgement of the fact that we should have far more than 35 fighter wings is significant. Also, General, would you make a comment about the INF treaty? That does in effect direct our focus more toward conventional forces, does it not?

General RICHARDS. Yes; it certainly does, no question about it. There is emphasis and focus on our conventional capability and improving that capability.

MARSHALL PLAN FOR PHILIPPINES

Senator REID. I, Mr. Armitage, read in your statement with interest of the bipartisan approach of Congressman Solarz, Senator Lugar, and others regarding the so-called Marshall plan for the Philippines.

What is the administration's position on that?

Mr. ARMITAGE. Mini-Marshall plan for the Philippines, Senator.

Secretary Shultz met on Friday with a bipartisan group of appropriators to discuss just this plan. We are going to approach the Japanese, and probably the Republic of Korea and the Australians and other like-minded friends, to attempt to come up with proper funding for the Philippines which will allow her in some manner to come out of this economic trough that she is in now.

We have had preliminary discussions. Mrs. Aquino has been informed of this general outline; I did it 2 weeks ago. And we are pressing ahead with this.

Now, Secretary Shultz had asked the Members of the House and Senate on Friday to give us their best ideas as to propitious ways to go about this to add on to our own thinking, and that is where we are. We are pursuing it.

Senator REID. Mr. Chairman, I have some other questions.

I want to ask one question; then if I could submit the others in writing for response by the appropriate people, it would be appreciated.

SHELTERING OF EQUIPMENT FROM ELEMENTS

General Richards, one thing in your statement that was interesting to me, as I understand your written statement, you say that sand, dirt, or moisture can quickly neutralize an exposed multimillion dollar piece of equipment. I understand the need to shelter equipment from elements. I know at the Fallon Naval Air Station they have spent significant sums of money to put up fences to keep the desert winds from blowing pieces of cans and things like that from the desert into the runways.

Is this what you are talking about, the same type of problem?

General RICHARDS. Well, Senator Reid, I am not talking so much about protecting the tank—in this case that is what we are talking about, tanks and armored personnel carriers—not so much protecting them from adverse weather, the effect of weather, as I am about being able to do maintenance on those pieces of exposed internal equipment under a sheltered area.

And really, we are talking about a very basic structure, a concrete pad with three sides on it and a roof so that we can bring those vehicles in out of the mud and take out that very sophisticated equipment and do maintenance on it without exposing it to the weather.

The tank itself is not that big a problem to leave out in the weather.

Senator REID. And once you work on it and cover up the sensitive equipment, then you do not have to worry about the elements damaging it, is that right?

General RICHARDS. Exactly. We would rather not leave them out in the weather, but yes, we are going to, given the number that we have,

and that does not have a deteriorating effect on those full-up weapons systems. But when you tear them down and start taking them apart, pulling engines and things like that, you really need a protected shelter.

Senator REID. I understand that.

Thank you very much, Mr. Chairman.

Senator SASSER. Thank you, Senator Reid.

I am going to yield now to Senator Stevens who has some questions, and he has got to get to the floor and manage a bill there.

Senator Stevens, go ahead.

Senator STEVENS. I appreciate that because I do have to go.

There is just one thing I wanted to follow up with, Secretary Armitage.

JAPANESE EXPENDITURES PER SERVICE PERSON

You stated that Japan spends \$45,000 per service person. Those are accompanied tours. In Korea it is \$27,000 in our money, unaccompanied tours. Just to make sure people understand that I am not totally against all of our allies, Korea is doing a fantastic amount to support our unaccompanied servicemen. If you look at the comparison, in Japan, for the American who is part of the military family in Japan, their support is roughly \$13,000, one-half of what it is in Korea.

This is what bothers me. Some people, and we were just discussing it, want to put into effect an accompanied tour policy in Korea. Again, I remember when Senator Stennis fought the accompanied tour decision for NATO because of cost. I think that you have to examine not only the question of the accompanied tour and the duration and whether we can use Guardsmen and Reservists to fill, in part, our commitments abroad, but you also have to look at the basis for the Japanese support, which, if they were on the level of the Korean support for the military family, I do not think they would have the objections here in the Congress they have today.

I think they are getting a lot of credit for doing very little in comparison. I even believe that the Japanese per family support is less than the European per family support, and I have asked my staff to support that.

But let me ask you the basic question. What standard do you use in terms of looking for support?

Mr. ARMITAGE. First and primarily, defensive capability. Second, political support in difficult areas of the world such as the Persian Gulf. Third, support of our servicemen and women is basically the order in which I—

Senator STEVENS. But do you look at the cost of accompanied tours?

Mr. ARMITAGE. No; I must say you have got me. I am going to have to do some research. I have no figures.

Senator STEVENS. Well, in my judgment I think it is wrong to compare Japan's \$45,000 per service person and Korea's \$27,000 unless we get down to how many people are being supported by that, and what is

the residual impact on our budget in terms of the servicemen's children in Korea are not traveling back and forth to Korea. And there is a different cost basis for these assignments, and I think we have to reexamine them.

Mr. ARMITAGE. Well, I would be pleased to do so, Senator.

Senator STEVENS. Thank you.

Thank you very much, Mr. Chairman.

Senator SASSER. Thank you, Senator.

[The information follows:]

BURDENSARING AND ACCOMPANIED TOURS

As of September 30, 1987, 49,783 United States military personnel were stationed in Japan, accompanied by 39,777 dependents. The Government of Japan's Japanese fiscal year 1987 host nation support (\$2.3 billion at 138 yen to the dollar) amounted to over \$45,000 for each service member. If dependents were to be included in the United States total, Japan's per person contribution would amount to \$25,681. This is roughly the same as the figure of \$27,000 per service member we have been using for Korea—which does not take into account the 13,763 dependents present in Korea.

That having been said, I should make clear that we believe such comparisons of Korean and Japanese burdensharing statistics to be misleading. The question of accompanied versus unaccompanied tours is a U.S. personnel management policy issue, not a burdensharing issue. Also, the economies and cost structures of the two countries are entirely different and dollar value figures fail to convey fully the significant effects of exchange rate differences and fluctuations. By focusing on burdensharing statistics such as those we have just been discussing, we tend to downplay or even ignore two circumstances which are crucial to any analysis of Japan's burdensharing effort: first, that Japan's host nation support is larger than that of any other country in absolute terms, and second, that this support continues to go up year after year—regardless of whether it is measured in dollars or in yen.

CONVENTIONAL FORCE REDUCTIONS

Senator SASSER. Secretary Woodworth, can you provide us with the Department of Defense assessment of the potential for conventional force reduction? How are the conventional force reduction talks going with the Soviets?

Were you with Secretary Carlucci when he was in Europe meeting with the Soviet minister of defense?

Mr. WOODWORTH. Excuse me?

Senator SASSER. Were you with Secretary Carlucci when he was in Europe?

Mr. WOODWORTH. Yes; I was.

Well, the status of those, sir, is that the discussions which are taking place in Vienna for the establishment of a new set of talks, which are referred to as conventional stability talks, are underway. They continue to be in a state of discussion concerning the establishment of an agreed mandate for those talks.

That has not been settled with the Eastern side. These talks, as I think you may know, are envisioned to involve the members of both the Warsaw Pact and NATO. It is agreed that these talks would have a larger geographic span than the long-standing MBFR talks.

The major issues at play right now concern in particular what kinds of forces and what general approaches might be taken to those talks. Those issues have not been settled. Also, the mandate in a more general sense is related to the discussion that is taking place in the larger context of the CSCE.

We for our part feel that it is very important that other issues in the CSCE review conference that is going on need also to be resolved at the same time. And by that I mean in particular human rights and other issues that are under discussion in the review of the Helsinki agreements.

Now, as to when this might be accomplished, it is impossible to predict for sure, but the expectation is that this could be settled during the course of this year. And assuming that it might be settled this year, it is conceivable that new talks on conventional stability could take place before the end of the year. Again, that depends in part on a final conclusion of the CSCE review conference.

EUROPEAN ATTITUDES ON CONVENTIONAL FORCE REDUCTIONS

Senator SASSER. Clearly I think the Department has the strong support of the Congress in seeking large reductions in Soviet and Warsaw Pact forces, particularly in equipment such as tanks and artillery that are used primarily in an offensive way, and that would reduce the potential for a successful Soviet attack in Europe.

Clearly the primary goal of these conventional talks must be the establishment of a more conventional—a more stable conventional balance in Europe. But I have suggested that we use these talks also as a means of making the Europeans more responsible for their own defense.

For example, I would suggest that we have an agreement with our NATO allies on the front end that before we began the talks with the Soviets with regard to conventional force reduction, that in the event there is an agreement on conventional force reduction that the United States would enjoy the largest share of any of this negotiated force reductions in Europe.

The rationale for that is clearly it makes the Europeans more responsible for their own defense. Clearly, they would allocate more funds to the defense of Europe on a relative basis vis-a-vis the United States than they are doing now.

We would be able to withdraw forces that are currently deployed in Europe. We probably would be able to deactivate some of those units and convert them to Reserve units or National Guard units, which would be much cheaper to maintain.

The savings could be substantial if it all worked out. What would be the administration's position on such a proposal, that we get favored treatment with regard to conventional force reduction over the Europeans, at least in the initial stages of conventional force reduction? And what do you think the European attitude would be to that?

Mr. WOODWORTH. Senator, let me try to answer that this way, preceding it by commenting that, to be frank, it is difficult to give a specific and definitive answer to that. But let me try to talk with you on what some of the questions and issues might be.

First, in terms of where the alliance has progressed as far as developing a specific negotiating position for those talks, that work, which is underway with our allies in NATO and also in Vienna with our delegation there, has not been carried forward to a point at which we have decided on specific negotiating positions.

What we have been able to do in particular, and which was reflected in the statements of the NATO summit a couple of weeks ago, was to define some broad objectives and broad parameters that would govern NATO's approach to these talks.

Second, as to whether or not any approach should be involved in which the United States should take a larger proportion of troop reductions or force reductions if an agreement were reached, that is an idea that we are familiar with.

There are some considerations, though, that one would have to take into account: One, how would that fit into a negotiating and bargaining context with the Eastern side? And without prejudging a decision on that, one would have to be aware that that would have to be considered, and very carefully, because obviously our forces could be a factor in a negotiating context.

And two, we also need to think about the fact that in the overall span of things, when American forces are removed, unless it were otherwise decided to disband those forces that were reduced in such an agreement, it is more difficult for those forces to be returned to the theater in a crisis if that occurred.

That is not to say that indeed there would not or should not be American forces involved in those reductions or that those reductions may not be proportionately greater than those of our allies. But these kinds of considerations have to be factored into any results we seek to get in a negotiation like this.

Senator SASSER. Mr. Secretary, I should say this, that if in the event we are successful in negotiating conventional force reductions in Europe, this Congress is going to be very, very unhappy if it develops that our allies benefit more from the conventional force reduction than we do.

In fact, you have just heard my colleague Senator Stevens, who has been one of the strongest supporters of the Department of Defense and its activities over the years, indicate that he intends to reintroduce the old Mansfield amendment next year. I think that gives you some indication of the mindset that you are dealing with here in the Congress, and that is a reflection of the American people.

So when we get into these conventional arms talks with regard to force reduction, I think it is going to be imperative that, if indeed there are conventional force reductions in Europe, that the United States forces get preferential treatment as against German forces or as against other NATO forces that might be involved.

JOINT FRENCH-GERMAN BRIGADE IN STUTTGART

On another subject, Mr. Secretary, recently France and Germany announced the creation of a joint infantry brigade to be stationed in Stuttgart. What do you make of this event?

Do you think that these are specific actions which indicate the Europeans are interested in taking on more responsibility for the defense of Western Europe? Or is this merely a reflection of Europe and particularly the French concern over the INF Treaty?

Mr. WOODWORTH. I would answer that this way. There are several factors that play in this recent development. First, there are some particular political motivations between those two countries influencing the agreements they have together for defense cooperation, which I think in part underlie their decision to proceed to this joint agreement.

In that sense, it might be seen as part of a pattern of a longer period and effort of cooperation between those two countries to strengthen their links in areas of defense cooperation. Its origins are historical, as we know.

Second, I think it reflects a general effort that is not limited to those two countries, but is broader in Europe, to strengthen what is called the European pillar of the alliance. Now, this general trend, if you will, is one that we frankly have welcomed.

What we have encouraged with our allies and indeed insisted upon is that, while we very much support efforts to strengthen the European pillar by whatever means that might be done, we also want those efforts to be consistent with and supportive of and compatible with the overarching requirements of the Atlantic alliance.

As long as those things take place within that context, we favor them. And we have in this connection been supportive of the French-German brigade.

Now, in a more general sense, I think we might also see one other explanation for this, being I think the recognition and emphasis that our allies have given to strengthening conventional defense in the wake of the INF Treaty. And as a matter of fact, this is an attitude that we share with them.

To the extent that this step can be a step in that direction, we would indeed support it. It is not so much that these kinds of efforts are needed simply because of the INF Treaty, although the treaty as such underscores those things.

These kinds of developments are things that are required even if there were no treaty. Even if we were going to maintain, in the absence of an agreement, Pershing II and ground-launched cruise missiles, those things do not as such relinquish the requirements we had before to strengthen our conventional defense posture.

So whether or not this particular thing might have occurred in the absence of a treaty is only something we can speculate about. But I would suppose that the general recognition and emphasis on improving conventional defense that has grown out of the aftermath of the treaty was a factor in this.

TORREJON BASE IN SPAIN

Senator SASSER. Let me return to the question of the Torrejon base in Spain. What are we going to do with those facilities when we leave Torrejon? I think we have got, what, 2 years to get out?

Mr. WOODWORTH. Three years.

Senator SASSER. Three years to get out of Torrejon. This is \$1 billion Air Force base at Torrejon, right out of—not far from Madrid. What is going to happen to this base? What are we going to do with it?

Mr. WOODWORTH. My understanding is, and subject to any information that I have from the people with me, that our intention is no longer to have activities there. The Spanish will, as I understand it, utilize the base facilities in some fashion.

General Richards may have a more specific knowledge about that.

General RICHARDS. I do not have any specific knowledge about how we are going to try to recoup the money that the United States has spent there. I know that the Spanish do have plans to move their F-18 operation, some of their F-18 operation, into Torrejon.

Beyond that, I do not know what uses they would put Torrejon to. Again, I do not know of any plan to recoup that money.

Senator SASSER. I certainly will be watching with interest to see just what does develop there, because if the Spanish move us out of Torrejon or when they move us out, they are going to inherit or may inherit a \$1 billion Air Force base there.

If we simply turn it over to them and let them have it, that might be an inducement for other countries to say, let us move the United States out and take over this first class facility here. We will be watching with interest to see what develops with regard to Torrejon.

Quite frankly, I have my own doubts as to whether or not the Spanish have the resources to maintain that base in the state that it ought to be maintained in. I fear that if they take it over and begin to run it, that we will see a gradual or perhaps even a swift deterioration of the base, to the point that if we needed to access that base in an emergency, if they wanted us there in a severe emergency, the base would not be adequate to our needs at that time.

JAPANESE INVESTMENT IN SELF-DEFENSE

Secretary Armitage, Admiral Hays, let us return to the question of Japan. That is a question that has generated a little heat and controversy here this morning, and I cannot leave this subject without noting that Japan allocates just about one-sixth or less than one-sixth as much of its gross national product to the common defense as we do here in the United States.

But I think to be fair—and I also read your statement with great interest, Mr. Secretary. I think to be fair, the Japanese have been taking some steps recently in the right direction. And I think we ought to applaud them for these steps.

I would like to express the view here this morning that, speaking for myself, I am not sure it is in our interest and in the interest of our

other friends in that region of the world, to encourage any substantial rearmament on the part of the Japanese.

I am old enough to remember the great East Asia coprosperity sphere which the Japanese established in the 1930's and early 1940's, and most of their neighbors in Asia remember that rather bitterly. It could have a destabilizing influence, I fear, on the whole region if they viewed the Japanese as pell-mell rushing forward to rearm.

Mr. Secretary, Secretary Armitage, do you have any thoughts on what limits there might be on Japanese rearmament or what limits we should seek to encourage them to take?

Mr. ARMITAGE. Yes; I think this is what brings to the fore the importance of the roles and missions approach that the Japanese have embraced. The fact that they have described for themselves a defense mission to protect the home islands and the sea lanes and the skies over the sea lanes to 1,000 miles is very significant.

It is significant geographically because if you put a ruler down on the map to 1,000 miles coming out from Japan, you would see that this clearly limits Japan before she gets to the Philippines or before she gets to Taiwan and the two straits.

This geographic limitation is very helpful. We know and the Japanese know what it will take to be able to accomplish the roles and missions for protection to 1,000 miles. I have outlined some of those in my statement.

You are dead right, I believe, in expressing some reluctance to see Japan speed up totally in the defensive area too much. But I would note that many in Congress have expressed the view that Japan should spend 3 percent of their gross national product on defense, even though what we believe is appropriate, and that is the wherewithal for the mission, can be had for much less than two.

So there is some reluctance in the area to see Japan have a greater military role, and I think that that reluctance is very controllable as long as the United States is in the area and colocated. If the United States were ever to pull out of Japan, this would introduce a whole new set of anxieties for the region.

Senator SASSER. Do you want to add to that, Admiral Hays?

Admiral HAYS. Mr. Chairman, I would only add that, while Japan's allocation to its defense has been considerably less than our own, there has been real program growth over the years that has seen the development of a very impressive military self-defense force in Japan.

The level of bilateral activity between that self-defense force and our own forces is considerable. It is reassuring so far as the security posture of Northeast Asia is concerned to see the level of interoperability that is developing between the Japanese self-defense force and our own forces.

INCREASE IN JAPANESE CONTRIBUTION TO SELF-DEFENSE

Senator SASSER. I have said before and I believe it firmly that I do not think it is in the best interests of the United States or in the best interest of that region of the world to have those Toyota plants and

Honda plants pouring out tanks and artillery instead of automobiles. I would rather battle them on the automobile showroom than in other ways.

But Japan's contribution does remain small. It remains small even when compared to the NATO contribution. So we are going to have to find, in my view, other ways of increasing the Japanese contribution to the common defense, hopefully other ways other than massive rearmament of Japan itself.

I recommended last month that we seek to create a new multinational or multilateral arrangement with our wealthier allies for the purpose of providing economic and security assistance to the less wealthy allies that provide base rights and base access.

I would envision a program like that working very similar to the NATO infrastructure program, in which nations provide—each nation provides a certain percentage of contribution to the NATO infrastructure program. Japan would be the richest country providing funds other than ourselves, and would also be the one that makes the least contribution in the orthodox way toward its own defense and perhaps that of the alliance.

As such, they would be expected and even required to make a very substantial contribution to this multilateral arrangement. I make this proposal because it is clear that we are going to have problems in this country sustaining support for larger and larger foreign aid expenditures, even for those countries that furnish us base rights. It is no accident that year after year it is tough to even get foreign aid bills up for a vote here in both Houses of the Congress.

We are going to have to look to our allies, I think, to help us pay the rent more, and they are going to have to pay it, I think, with more substantial foreign aid.

Mr. Secretary Armitage, I get the impression you do not think much of my proposal here. Perhaps, I misinterpreted something you read or something you said. But I would like to hear your views on it.

Maybe Admiral Hays could shed some light on it also.

Mr. ARMITAGE. As a matter of fact, I have a great deal of sympathy for your proposal. My enthusiasm, however, is under control for the suggestion that Japan should be providing security assistance to other countries. And this gets back to something I believe you mentioned in your opening comments about constitutional restrictions and prohibitions.

But the concept of Japan and others, the Republic of Korea, assisting in a multinational way is one that I have a great deal of enthusiasm for. And in answer to Senator Reid's question, I think I indicated that we are approaching our friends to be of some assistance to the Philippines, and would note in that regard that Japan last year pledged \$1 billion to help the recovery of the Philippines.

So I have sympathy and enthusiasm for most of your proposal, sir.

Senator SASSER. Do you have anything to add to that, Admiral?

Admiral HAYS. No, sir; I agree with the comments of Secretary Armitage.

FOREIGN AID PROGRAM FOR PHILIPPINES

Senator SASSER. Since you bring up the Philippines, Mr. Secretary, as you know there is a lot of discussion in the Philippine congress and they are pressing for \$1.2 billion in foreign aid from the United States in exchange for base rights that we want to maintain the Clark Air Force and Subic Naval Bases.

Frankly, I do not see, given our budget considerations and the political environment in this country, any way for the United States to make that type of payment. For one thing, I think the problem we would have is, if we were being seen as paying \$1.2 billion in foreign aid to the Philippines in exchange for maintaining these base rights, then this could have a domino effect throughout all of the base rights countries.

For example, I do not know—how would you deal with Turkey, Mr. Woodworth, if the Turks realized, picked up the newspaper one morning and saw that the United States is paying \$1.2 billion in foreign aid to the Philippines as a side deal to keep the bases open in the Philippines? What effect would that have on the Turks in your judgment? Would it make them a little tougher to deal with?

Would that raise the ante there substantially?

Mr. WOODWORTH. Well, it might. I hesitate to predict for sure. But I would like to think not, since, especially with Turkey, not only the provision and maintenance of our own forces there on bases provided by Turkey but also our efforts to strengthen Turkey's forces have occurred in a larger alliance context and have been directed toward specific missions of the alliance in that area.

And so, let me put it this way. I would hope that they would see this kind of thing in that context and would recognize, too, the different circumstances that might be at play in that area of the world versus the southern flank of NATO.

Mr. ARMITAGE. We must recognize in the Filipino context that right now talk is free and their legislature, particularly their senate, is prone to statements, as is our own. But I think your recent statement will be read with great interest in Manila.

PHILIPPINE INSURGENCY

Senator SASSER. On the subject of statements, Mr. Secretary, we have seen the insurgency in the Philippines triple in just a few years, and Americans there are being increasingly targeted by the NPA guerrillas. And if the Philippines seek unreasonable increases in foreign aid for these base rights, we ought to consider moving to other locations, should we not?

Mr. ARMITAGE. Well, and indeed we have. There is a classified report which I submitted to the Congress a year and a half ago, and I am sure you have it in your files, that details just that, sir.

Senator SASSER. I do not want to be misunderstood. Of course, we value our relationship with the Filipino people, with their government. We value the bases there. I think that is the best location in that area. I do not think they could be matched anywhere else.

It would be a very expensive proposition for us to move. But if we have to move, we could. We employ tens of thousands of Filipinos. They are servicing those two bases. We put \$200 million a year into the Philippine economy, and clearly if we moved out and took that with us we would have less interest in foreign aid contributions to the Philippines and our foreign aid contribution could be expected to diminish.

I just hope that our negotiators, when they are dealing with our friends in the Philippines, will realize that we have got some cards to play in our hands, too, and we are not going to the Philippines and discussing these matters with our friends there with no ammunition of our own, because we offer a substantial amount.

We are not coming hat in hand to these negotiations, and I would hope that our negotiators would realize that. And I would hope that our friends in the Philippines would realize that, also.

Mr. ARMITAGE. Precisely so.

SOUTH KOREA DEFENSE POLICY

Senator SASSER. On the subject of Korea, the new Government in South Korea seems interested in taking more responsibility for the defense of South Korea. Does that mean we will be able to reduce our troop commitment there any time in the foreseeable future?

Mr. ARMITAGE. First of all, I think we all ought to give ourselves a little pat on the back regarding recent events in Seoul. Is there anyone around who believes they would have happened if the United States had not maintained a presence on the peninsula?

I am sure no one on this panel does. The transition to democratic government for the first time in 17 years is remarkable, and we are looking forward to our Republic of Korea allies hosting the Olympics this summer.

At some time in the future, there could be a reordering. I do not think events of the past 2 or 3 months—and I specifically refer to the bombing of the KAL airliner—give anyone any hope that the North Koreans have changed their mind regarding their views of the ultimate disposition of the peninsula.

So I do not see it in the near future. Perhaps Admiral Hays would have some views.

Admiral HAYS. Sir, in the military sense I do not believe that South Korea has the capacity at the present time to do all the things which are necessary to maintain stability and peace on the Korean peninsula.

But the military forces of South Korea are improving impressively, and there is reason to conclude that at some point in the future South Korea will have the full capacity to defend itself.

ACCOMPANIED TOURS TO KOREA

Senator SASSER. The Army and the Air Force are talking in terms of approval for accompanied tours to Korea. I for one would not support that. I do not think we ought to get into the business of accompanied tours to Korea.

But in the event that change of policy should occur, it would cost hundreds of millions of dollars annually to support dependents in Korea. Now, if that were to become our policy, I want to make it clear that I think we should ask Korea to provide the family housing and support facilities, and that should be part of their contribution if we do get into the business of accompanied tours, which I hope does not come to pass.

But one way to make that a sweetener, I think, as far as some Members of Congress are concerned would be to work out an arrangement in which the Koreans would pay the lion's share of that cost, particularly with regard to family housing and support facilities and the operation of that infrastructure to support them.

Do you want to react to that, Admiral?

Admiral HAYS. Sir, there is no question that accompanied tours contribute greatly to the morale of our service people. And they also contribute, I think, importantly to our preparedness, our readiness, because you have more stability in that tour lengths are much longer, twice or in some cases three times as long if you are talking about Korea.

Given the situation on the Korean peninsula, I have not supported the proposals to increase the number of accompanied tours in Korea, because of the tactical situation that exists there, the proximity to the DMZ, and, in the event of hostilities, the difficulty that we would encounter in quickly evacuating dependents.

Senator SASSER. I am pleased to hear you say that, and I have the same reaction because I think if you had a substantial number of dependents in Korea, in the event of a conflict I think a lot of the attention that might be given to resisting the North Koreans would be given to trying to evacuate dependents and care for them.

And that would be the ordinary human reaction, for a soldier or a marine or an airman to be more concerned about his own family at that time than perhaps anything else.

CONCLUDING REMARKS

Gentlemen, I want to thank you for appearing here this morning. I think we have had a good discussion on a number of very significant issues, and I hope you will take back to others in the Department the strong feeling here in this committee and I think on Capitol Hill that more must be done by our Government to stimulate a more equitable burdensharing relationship with our allies.

I want to make it clear that we have not suggested here this morning that we unilaterally reduce our commitment to Europe. To the contrary, we have said that we should avoid force structure reductions until conventional force negotiations are concluded, and I feel very strongly that

the 401st Tactical Air Wing should remain in Europe, but it should remain in Europe at the expense of NATO and not at the expense of U.S. taxpayers.

But I hope you understand that we have issued here, I think, this morning a warning that there must be some tangible progress made in this whole field of burdensharing.

The suggestions that we have sought to make here this morning I think have been very modest, and we are not demanding that our allies pay the same proportion of their income toward the common defense as we do here in the United States.

Perhaps we should demand that, but that is not being demanded here this morning. Instead, what we are urging are incremental increases that free elected governments, our sister democracies, can support with their voters if they simply have the will to do so, incremental increases such as paying the costs of moving the 401st Tactical Fighter Wing or making a direct foreign aid contribution to countries that permit base rights and base access; and that the allies permit us to receive the initial benefit from negotiations that might succeed in conventional force reduction in Europe.

These are not unreasonable requests of our friends and allies, and certainly they are not unreasonable requests here in the year 1988, as I said earlier almost a half century after the Second World War, and not unreasonable requests in view of the dramatic evidence of the health and relative strengths of their economies vis-a-vis that of the United States.

So I am counting on you, Mr. Secretary, and you, Secretary Woodworth, to take the message back to the councils of the administration and say, we want more by way of burdensharing.

The suggestion that you, Mr. Armitage, made with regard to Members of Congress making that case directly with our counterparts in the parliaments of Western Europe and the Japanese diet I think is a very constructive suggestion, and one that we ought to take to them as persuasively as we can.

PREPARED STATEMENT OF T.J. LOVELAND

Let me say before concluding, I would like to announce that we are keeping the hearing record open at this point to include written testimony from Mr. Joe Loveland, the Director of Infrastructure and Logistics at the U.S. mission in NATO at Brussels.

He has appeared before this subcommittee a number of times and we always found his testimony to be very candid and very thoughtful. He is retiring from that position in a few months, and I want the record to show that this subcommittee appreciates the work that he has done, and I think he has done a great service to the American people and to the alliance.

[The statement follows:]

STATEMENT OF T. J. LOVELAND
DIRECTOR, INFRASTRUCTURE AND LOGISTICS
US MISSION TO NATO

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to testify in support of the proposals by the Department of Defense for an appropriation of \$502.1 million for Fiscal Year 1989, as the US share of the common-funded NATO Infrastructure Program.

In some 22 years since its transfer from the Military Aid Program to Military Construction, the NATO program has grown by a factor of 10 from a symbolic manifestation of Alliance cohesiveness to the major source of military facilities for US forces in NATO Europe. This will be the last of my continuous series of reports to Congress beginning in 1967 since I will retire this summer. I hope that our accomplishments during that period have convinced you of our constant efforts to shape the program to react to Congressional concerns without losing sight of US and NATO interests.

Title V in the Military Construction Program now covers the US share of the NATO Infrastructure Program, which provides commonly funded facilities necessary to support US and other forces committed to the defense of NATO. Much of the program provides facilities and systems for common use

by some or all NATO forces which must be funded collectively--for example, the NATO pipeline system, Early Warning and Air Defense networks, and the NATO satellite communications system. The remainder, while of sufficient common interest to warrant Infrastructure funding, is intended for use by forces of a single nation or two or more nations. In this category, the US has been very successful in securing a large portion of projects for support of US forces. Recent annual programs, or "slices," have provided, on the average, over \$5 worth of facilities for US forces for every \$3 of US contribution to single and joint user projects. We have every reason to expect this favorable ratio to continue or to improve.

The US cost share of the program remains at about 27.8%, smaller than might be indicated by either our share of NATO's total GNP or the US benefits from the program. It tends to balance, therefore, the relatively larger US shares in other defense categories. In addition to that aspect, our Allies have from time to time used the program to make other concessions to the US such as (1) a \$100M contribution to replace US facilities abandoned in France, (2) a \$500M contribution (without US participation) to augment the program for provision of aircraft shelters, (3) a \$140M contribution to build US facilities which were not normally eligible for NATO funding, and (4) agreement to an extensive reinforcement support category (RSC) which is funding previously ineligible logistics facilities in support of US reinforcements. Thus, the Infrastructure program is an example of burden sharing through which our Allies have

demonstrated their good faith and their support of US deployments in Europe.

Currently, NATO is discussing ways and means to accommodate the relocation of the 401st TFW from Spain under the Congressional ban on expenditure of FY 88 MilCon funds for that purpose. The Infrastructure Committee is studying a listing of facilities required for that purpose if a new airfield must be constructed. The list is divided into categories of operational facilities (eligible and non-eligible for normal NATO funding), community support facilities, personnel support facilities, and MWR (golf course, bowling alleys, etc) and amounts to some \$520M. It includes a maximum requirement for 1888 family houses. Although there may be some negotiation on some of the more exotic items, I expect that NATO will pay the bill when a host nation and a specific location are found.

Mr. Chairman, I told you last year that this is a different program from the one I have been describing over the past 20 years. US concerns have been resolved in the matters of underfunding, recoupment for US prefinancing, inclusion of projects to support US reinforcements in time of crisis, and visibility of NATO procedures and new special US problems such as the 401st TFW. While the program continues to serve US interests, it now does so better than ever before and in a more orderly manner. We must be careful, however, in our negotiations for the next 6-year increment (1991-96) not to lose the momentum we have built up in this most visible of NATO's burden sharing efforts.

Alliance agreement in December '84 to a 6-year funding ceiling of over \$10B (now \$12 BIAU with the weakened dollar) represented a real increase of some 56% over the previous period and presented a real challenge for NATO and host nation machinery to increase its rate of implementation. In 1985 and 1986, we have met our expenditure goals, in some cases, by advancing the programming of completed projects prefinanced by individual nations. By 1986 we met our construction start goal and can now predict that our implementation rate will support the need for the high fund ceiling. This was one of our major aims in order to justify a still higher ceiling in the post 1990 period to reduce our 12-year backlog of urgent projects yet to be included in annual programs.

You will have noted that our US recoupment for prefinanced projects has benefited from our expenditure procedures. In fact, our FY 86 and FY 87 recoupments were considerably more than predicted. We estimate an FY 88 recoupment of \$40M which will complete all of the backlog which existed before FY 86, some 3 years ahead of our prediction.

Much of our recoupment was for aircraft shelters and collocated operational base facilities in support of US reinforcements. Such facilities also feature strongly in the programming for new construction, and we expect to more than fulfill NATO's commitments in response to the Cohen Amendment of 1984.

Finally, the NATO program has come of age in adopting clear, concise procedures which enable national authorities to synchronize national with NATO actions. The greater funding of the program required that NATO military authorities establish a long term plan to acquire facilities. We now have a 6-year rolling plan showing the expected distribution of projects over the 1989-94 programs. This allows us to start design as much as three years before programming, to coordinate with US programs on conjunctively funded projects, and to make informed decisions on any US prefunding which may be required as well as the time it will take to recoup the US funds. The long term plan also allows US industry to intercede at the appropriate time on projects of interest to them.

Another fallout from our planning activities is an agreed goal for annual programming, obligation, and expenditure over the 6-year period. We monitor these figures closely in order to take compensatory measures if any of them threaten to deviate from the goals. Thus, our Allies are assured that their projected expenditures, the basis for their budgeting, will be relatively accurate and the US, which budgets based on obligations, has equal assurance. As noted earlier, all this has had a salutary effect on our rate of acquisition of facilities.

I think you will agree, Mr. Chairman, that we mossbacks have done a good job in preparing for our succession by enlarging, simplifying, and rationalizing this formerly arcane NATO program that only we understood. On the NATO

side I can report that all is well. On the US side, however, our success has led to problems. Now that we have greatly expanded the program, we are faced with a rapidly fluctuating dollar compared to the NATO Infrastructure Accounting Unit, in which our commitment is taken. From 1980 to 1985 this phenomenon acted to our advantage permitting us, for instance, to generate some \$335M to cover obligations in FY 84-86 without seeking appropriations. Since 1985, however, the trend has reversed, and we are constrained to use of the FY 88 Foreign Currency Fluctuation Account (funded at \$125M) for some \$120M of FY 88 losses. We expect that to grow in FY 89 to some \$150-170M before falling off because of a stabilized dollar.

I would request, therefore, that the Committee support our entire request for \$502.1M in NOA for FY 89. I would also request the Committee's support and indulgence for my successor during his running-in period in this complicated, international endeavor.

THE 5-YEAR CONSTRUCTION PLAN

Senator SASSER. I would also like to announce that, since the subcommittee has not scheduled a specific hearing this year on military construction activities in Central America, I will keep the record open to include testimony at this point in the record from General Fred Woerner, the commander of the Southern Command. I am including a copy of the latest 5-year construction plan for this region.

[The information follows:]



Statement of

General Fred F. Woerner

Commander-in-Chief, US Southern Command

Mr. Chairman, Members of the Subcommittee. I appreciate the opportunity to appear before you to discuss the Military Construction Program for the US Southern Command as outlined in the Five-Year Caribbean Basin Construction Plan submitted on 15 February and how it relates to my mission and military strategy for achieving our national security interests in Central and South America.

THE USSOUTHCOM MISSION

The mission for USSOUTHCOM and component commands is to provide for the security of the Panama Canal. Increasingly, regional instability represents a strong and direct threat to the canal. USSOUTHCOM undertakes a number of activities in both Central and South America to counter the threat posed by instability in the region and defends the southern flank of the United States while advancing US national interests in Latin America. Specifically seven key tasks must be performed:

- Defend the Panama Canal
- Maintain the security of the United States and its southern approaches.
- Support counter-insurgency operations in El Salvador and help other Latin American militaries combat insurgency, terrorism and narcotics trafficking.
- Reverse Soviet, Cuban and Nicaraguan influence and their attempts to destabilize democratic processes in Latin America.

- Plan for contingencies in the theater and be prepared to conduct operations in consonance with US interests.
- Advance US foreign policy objectives.
- Enhance US military influence in the theater and strengthen cohesion with and among our allies.

US National Interests in Latin America

As events in Nicaragua and Panama in recent months and weeks have demonstrated, there are hazards in defining our national interests. Broad definitions risk identifying all difficulties as threats to the United States which could demand an immediate and direct US military or economic response when, in fact, the threat is so indirect and ambiguous that circumspect responses would be more productive. At the same time, narrow definitions of our national interests may obscure real linkages between political, economic, or social interests and the more obvious military or national security interests. Moreover, narrow definitions, absent some clear or overwhelming military threat, may tend to encourage a false sense of well-being. As a result, the kind of visionary and comprehensive planning that may be necessary to deal with developments before they result in serious or threatening conditions is all too frequently postponed.

Much of today's strategic thinking about Latin America is conditioned by views and emotions on prospects for the Nicaraguan Democratic Resistance and for the two treaties which govern the turnover of the Panama Canal by the year 2000 and the neutrality of the waterway thereafter. Unrest in Panama, aid for the Contras, and the Central American Peace Accords are foremost in people's minds because they are currently in the evening news, represent emotional issues for American citizens and involve countries closer to our border than the dynamic nations of South America. We must avoid becoming mesmerized by recent events in Central America to the exclusion of broader, long-term perspectives on the importance of the entire Latin American region.

Our continuing presence and responsibilities in Latin America begin with the Canal itself, and in response to a growing threat to our interests, have expanded to a regional focus, particularly to the North, to our support of El Salvador and Honduras and

deterrence of Nicaraguan political and military power. We have committed ourselves to a consistent policy of support of democracy and economic development. The measure of our wisdom as the superpower leader of the democratic community of nations will be greatly affected by our ability to establish working relationships based on a convergence of our key US interest--national security--with those of our allies of the region--independence and dignity--with whom we have a community of history and shared interests.

US and Latin American shared interests include:

- Political development: The trend to and the consolidation of democracy has been a key objective of the U.S. Policy. We no longer see an incompatibility between our ideals and our strategic interests. We firmly believe that:
 - Democratization in Latin America secures our southern flank and is the best defense against totalitarian inroads in this hemisphere.
 - Societies that fully engage the creative capacity of their citizens and that hold the governors accountable to the governed contribute more to their own and to our national security than do authoritarian governments whose previous claim to legitimacy was their anti-communist stance.
 - Democratic governments threaten neither their people nor their neighbors.
 - Dictatorships, civilian or military, provide fertile ground for Marxist-Leninist revolutionaries by weakening civilian leadership and in many cases, corrupting the very guardian of security--a nation's armed forces.
- Economic well-being: The United States depends upon Latin America for its economic well-being in at least three fundamental ways:
 - Strategic raw materials such as antimony, manganese, and tin, ninety-six percent of our bauxite and forty percent of our petroleum (to include our entire strategic reserve) come from Latin America.

- Market access for US exports is of continuing concern; our \$33 billion of annual exports to Latin America equal those to Europe.
- Investment opportunities abound in an area whose population is expected to grow to 549 million by the end of the century. Twenty percent of our total foreign investment and seventy-two percent of all US investment in the Third World is in Latin America, a region with enormous growth potential.
- Social well-being: Immigration to the United States and illicit drug traffic are just two of our shared interests.
 - Illegal immigrants, most of whom come to the United States from Latin America, live on the margins of society. They constitute 4% of our national population and contribute more than 50% of our annual population growth rate. The United States now has the fifth largest Spanish speaking population in the world.
 - The social consequences of the burgeoning illicit drug trade are well known. Americans consume 60% of the world's illegal drugs; two-thirds of that comes from Latin America. But there are also military dimensions to the problem resulting from the increasing linkage between narco-traffickers and insurgent movements. Guerrillas sell protection to narcotraffickers and use the payment to buy military equipment. Vast quantities of drug money are used to buy intelligence, suborn governments and corrupt or intimidate military and police forces and judges. The insidious power associated with the world drug trade challenges international order and our social well-being.
- National defense interests begin with our 1,952 miles of undefended southern border and include the need for access to regional bases for our own use and denial of those base rights to hostile forces. The Soviet Union is virtually on par with the United States in terms of access to bases--land, sea and air--and forward-based forces south of our border. Their forward deployed forces include a combat brigade and a 2,100 man intelligence center in Cuba. Base access to airfields in

Cuba and potentially Nicaragua and the submarine tending base at Cienfuegos pose a significant threat to democratic interests in the hemisphere.

The Threat to US Strategic Interests

Soviet and Cuban exploitation of endemic economic, political and social conflict to further their own goals is the primary threat to regional stability and US national interests in Latin America. This threat to our national interests includes:

- The internationalization and spread of Marxist insurgencies in spite of the remarkable transition to democratic governments since 1976:
 - Six nations now have active Marxist insurgencies; three more have incipient ones or suffer spillover effects from neighboring countries. All threaten our democratic values.
 - The 25 Marxist insurgent groups in Latin America are actively supported by the Soviet bloc, Cuba and Nicaragua.
 - Soviet advisors (military and civilian) include 2800 in Cuba, 100 in Nicaragua and 500 in Peru.
 - There are approximately 115 Soviet military advisors in Peru alone while the total number of US military advisors in 16 Latin America countries is 147, and that total includes the 55 trainers in El Salvador.
- Growth of main force presence:
 - Soviet surrogate Cuba is both well-armed with sophisticated equipment and capable of sustaining global commitments. Soviet aid to Cuba exceeds that given to the rest of the world combined (\$16.2 million in economic assistance and \$1.7 million in military assistance daily - some \$6.3 billion last year).
 - Sandinista Nicaragua is a national revolution betrayed by a Marxist-Leninist regime committed to the export of revolution, which has:
 - Supported the overthrow of democratic governments in neighboring countries.
 - Repressed every democratic or anti-Marxist aspect of

society--the press, the Church and its priests, the entrepreneurial class and labor.

- Imprisoned more opponents of the government than any other nation in the hemisphere except Cuba.
- Militarized its society with sophisticated conventional weapons to a degree unprecedented in Central America history and unmatched by the collective totals of its four democratic neighbors. Over 50% of the national budget is dedicated to the military. Plans call for a full twenty percent of the entire population to be under arms.

• Expansion of Soviet/Cuban influence and increasingly larger presence, to include:

- Reinstatement of diplomatic relations with Cuba by 11 Latin American nations.
- Soviet diplomatic or economic presence in 13 Latin American nations.
- Training scholarships to over 10,000 civilians and military students each year.
- Soviet offers for Peru to build a \$400 million fishing fleet.
- Visits to Argentina, Brazil, Uruguay and Mexico by Foreign Minister Schevardnadze last fall and a promised visit by General Secretary Gorbachev this year.
- Expansion of Aeroflot landing rights and port privileges for Soviet fishing fleets.

Complicating the challenge for emergent Latin American democracies are the traditional regional problems: determining the means for peaceful competition for political power; resolving social problems of enormous proportion; and legitimizing the role of military institutions in a democratic society. All of these problems are part of a cycle of crisis which is intensified by deteriorating economic conditions.

The Strategic Imperatives

Much is said of the low-intensity environment which characterizes Southern Command's Theater of Operations. I prefer to call it "high

probability conflict". This type of warfare will not be won solely with technological quick fixes and transient high pitched political rhetoric. The campaign plans in this type of warfare are time intensive and require credible consistency over the long haul. Progress will be measured in small increments rather than the quick successes to which we and the American public are more attuned and demand as a matter of course. Our good news simply does not make good TV journalism.

Strategic planning for Latin America should examine the development of deterrent activities to counter threats to our national interests and which achieve:

- Support for the democratic process
- Professionalization of host nation militaries and legitimization of their role in democratic processes.

The challenge to the US Southern Command is to apply a strategy of deterrence and flexible response within an economy of force theater characterized by a low intensity/high probability conflict environment. My strategy of tailored force options and supporting MILCON is based on modest resource commitments which include:

- Forward stationed forces in Panama
- A modest JCS exercise program with Exercise Related Construction (ERC)
- Maintenance of Contingency/Crisis capabilities in Honduras
- Security Assistance Offices in 16 countries
- Intelligence collection and sharing
- Mobility through such capabilities as Short Take Off and Landing (STOL) aircraft, UH-60 BLACKHAWK helicopters, and Naval Special Warfare Units stationed in Panama.

In each instance, MILCON projects provide specific essential contributions to the USSOUTHCOM strategy and expand my options for mission accomplishment. Furthermore, each project has spin-off advantages which increase the payback on resources committed. The Naval small boat support facilities enhance the activities of US and allied nations toward reducing illicit drug and arms traffic. Improved living conditions at Howard Air Force Base and at Palmerola Air Base that contribute to soldiers and airmen remaining in the service, will

reduce recruitment and training costs. If any or all of the projects contribute to greater US and DOD credibility and commitment to the region, the small investment is justified.

My MILCON requirements can be characterized in similar fashion to other overseas project requests:

- o They represent investments in a long-term US commitment to a friendly or allied nation. Construction projects are highly visible reminders of US ability or commitment to respond militarily should a need arise.
- MILCON projects enrich options. The ability to respond effectively to military threats decreases the likelihood of having to do so.
- The program is essential to the well-being and well-earned support for our soldiers, sailors, airmen and marines assigned overseas.

On the other hand, in the Southern Command Area of Responsibility there are also very major differences with other overseas commands in justifying MILCON programs. At the lower end of the spectrum, the set of relevant deterrent force options is far more likely to consist of activities encompassing security assistance (to include contract construction for host-nation militaries), exercises, intelligence support, engineer exercise construction, medical exercises, and infrastructure development. The majority of these activities provide powerful examples to host country military establishments of the potential use of their own engineers in critical nation-building functions.

- Because the threat is different, our infrastructure needs are also different, and our programs must be designed to maximize flexible use of force options.
- Rather than working at echelons of Armies, Fleets, and Air Wings, my needs support light 300-man troop units, special warfare boat squadrons, STOL aircraft and UH-60 detachments.
- My MILCON projects may have multiple uses. As opposed to a single purpose hardened aircraft shelter, my projects could and often do support US joint or combined exercises, host

nation infrastructure shortfalls, national development needs, humanitarian and civic action or contingency missions.

The deterrent value of my theater infrastructure construction programs is documented. Congressional approval of the FY 84 Palmerola AB upgrade projects (runway and taxiway extensions, parking apron, and fuel storage) established the basing for intelligence sharing and force presence which hinders Nicaraguan attempts to aid the insurgency against the democratically elected government of El Salvador. These same upgrades proved essential to stage airlift assistance to Honduran forces resisting the Sandinista incursions in 1986 and 1987. Our ability to provide requested assistance (both military and disaster relief assistance following the 1986 earthquake) to the legitimate governments of El Salvador and Honduras was enhanced by the operational capabilities built with MILCON funds at Palmerola and Goloson. Looking to an ongoing project, sustained intelligence support with the Congressionally approved construction of the FY 87 operations facilities will enhance this deterrent capability.

In FY 88, Congress continued its support for our regional strategy and US SOUTHCOM MILCON needs with the approval of projects for the elimination of flight safety hazards and maintenance deficiencies at Howard AFB in Panama. These projects will guarantee the safe operation of missions from Howard AFB through the 1990's as well as provide facilities for execution of responsibilities under the Panama Canal neutrality treaty should the need arise.

The FY 89 MILCON Request

My FY 1989 request is again a very modest request, comprised of only two projects in Panama and one in Honduras; in aggregate less than \$14 million. Additionally, the Minor MILCON programs of the services include the \$4.6 million slice of Exercise Related Construction needed by this command. This represents less than one half of one percent of the DOD Program. The FY 89 Program consists of:

- Facilities for naval coastal and riverine patrol forces based in Panama (\$6.2 million): There are 35,000 miles of coastline and more than 50,000 miles of inland waterways that are inaccessible to my current force and the occasional deep water

US Navy ships which visit the theater. Navy Special Warfare Units deployed in theater and equipped with properly sized patrol craft would provide the basic mobility for us to assist, train, and operate with host nation navy and coastal defense forces in combatting illegal arms shipments and drug smuggling, or providing a force presence to support expansion of government services to isolated areas. Without this theater capability, Latin American navies are co-opted to a "blue water" strategy, and my Naval presence in the theater is limited to logistics support for transiting US ships. The absence of properly sized and equipped coastal and riverine forces with which to interface with Latin American navies is a lost opportunity for professional development of Latin American naval forces.

- Air Force Bachelor Housing in Panama (\$2.6 million): Both current living conditions and future treaty implementation requirements demand that we act now to improve living conditions for our US airmen on the west bank of the Canal. This project modernizes an existing barracks built some 45 years ago.
- Force presence in Honduras (\$3.05 million for Phase II of the troop support facility upgrade programs at Palmerola which was initiated in FY 88 by Congressional direction): Both the FY 86 and 87 MILCON bills contained language expressing willingness to support facilities for our troops if they were programmed in the MILCON Program. Phase I of the program submitted in FY 88 was authorized but not appropriated. The lack of funding was attributed to the ongoing peace process. While the outcome of the Central American Peace Accords is unknown, it is certain that the continuation of the US force presence at Palmerola AB will aid the peace process rather than detract from it. For that reason I have directed my Army Component to seek reprogramming approval for the first phase of the project--300 man billets, a relocatable clinic, dust treatment of interior roads, and utility services. The FY 89,

Phase II request includes a second set of billets for 300 men and supporting utility services.

Exercise Related Construction

The final and somewhat special MILCON program that has significant impact on my capabilities is the exercise related construction (ERC) funding currently carried in the service Minor MILCON accounts. This program has proven to be an especially worthwhile initiative. It has allowed the development of adequate training facilities that contribute to active and reserve component engineer unit proficiency and which enable joint and combined exercises to take place at mutually agreeable times and places in Honduras, Panama and Ecuador. This year we have plans to improve and maintain exercise training facilities and access at Punta Raton, San Lorenzo and Jamastran in Honduras. Additionally, we continue to assist the Hondurans and Bolivians with nation building projects. All involved parties are satisfied; US forces from three services receive training and exercise facilities; Congress has an appropriate review and oversight role; and the General Accounting Office has no qualms on project splitting or misuse of the O&M account as was the case prior to 1987. Funding in FY 89 (\$4.6 million) is essential to continue the training of engineers and to provide the temporary facilities which allow joint and combined exercises to take place.

The results of previous years' ERC projects are impressive. In January of 1987, it took about 45 days to deploy engineers to prepare forward landing strips for use by C-130's in Honduras. This year in exercise Ahuas Tara 88 the same dirt landing strip was capable of sustained C-130 operations in 4 to 5 days. Most importantly, the existence of the capability to deploy heavy engineer forces and recognition of that capability by the Nicaraguans, make it much less likely that the other force deployments would be needed.

Looking to the Future: FY 90 and Beyond

Beyond FY 89, there are MILCON projects programmed for Panama and Honduras. Programmed projects for FY 89 to 91 are minimum essential requirements to comply with Panama Canal treaty requirements and other agreements. The majority of these were identified to your committee

in the recent DOD submittal of the Caribbean Basin Construction Plan. The entire program reflects our complete scrub of all previously submitted projects and Five Year Plans and our estimate of minimum essential facilities to protect our national interests in the hemisphere.

- Panama: The projects for Panama are located at Howard Air Force Base on the west bank of the canal and will be utilized for at least 10 years. Howard Air Force Base is our only Air Force Base under US control on the Latin American mainland. Facilities needed for required operational capabilities beyond the approved FY 88 Howard AFB projects include:
 - Maintenance and parking facilities for Army UH-60 helicopters to alleviate crowded parking and deficient maintenance space conditions.
 - An Army intelligence facility to increase the effectiveness and efficiency for theater intelligence activities.
 - STOL (C-27) operational and support facilities to support an aircraft that will provide access to some 9500 airfields in Latin America currently denied because of reliance on the larger, heavier C-130 aircraft.
- Honduras: Construction of contingency facilities is not synonymous with permanent troop deployments. The MILCON needs are for crisis reaction and to fulfill an existing US-Honduran agreement to upgrade these airfields. The existence of good infrastructure to support a broad range of contingency responses allows more time for decision-making and consultations among branches of our government and with the Hondurans. The lack of infrastructure could force a premature decision to deploy troops to a given location under crisis conditions. Programmed requirements include:
 - Phase III of the Troop Support Construction at Palmerola
 - Extensive runway repairs and upgrades of La Mesa Air Base, to include parking and fuel storage facilities similar to those already approved by Congress and constructed at Palmerola and Goloson. The FY 91 upgrade planned for Goloson has been shifted to La Mesa.

Impact of Panama Canal Treaties

For the period FY 92-99 we are examining a variety of ways and means to meet our responsibilities to implement Panama Canal treaties affecting US forces in Panama. One treaty calls for the turnover of the canal; the other provides for the continued neutrality of the waterway. Presently implementation of treaty provisions culminate in the complete turnover of all US military facilities and installations in Panama by 31 December 1999. Since existing treaty provisions assign responsibilities for neutrality of the Canal to both the United States and Panama past that date, it would be prudent to have potentially useful facilities as we fulfill neutrality treaty obligations.

Therefore, we should not institutionalize the concept that there will be absolutely no US military interests in Panama after the year 1999. At a minimum the programmed MILCON investments in Howard AFB, Rodman Naval Station and Ft Kobbe--the last facilities to be turned over--will continue to serve US interests for many years.

An Action Agenda

The theater strategy is one of an economy of force, but even economy of force has a cost--it takes resources. There are program limits below which we would have no strategy to secure our interests in the region. To the extent that we are forced to reduce resources for every one of my force options--security assistance, support for the Contras, etc--we become more reliant on remaining policy instrumentalities. We seek Congressional support in FY 89 for MILCON which gives coherence to my ability to successfully accomplish the mission I have described.

MILCON programs to implement the SOUTHCOM strategy are important, but they are neither exotic nor resource intensive; nor do they enjoy broad based civilian or service constituencies as do many large CONUS based projects. Further, they are not involved with major modernization efforts. They are important symbols of long term commitment to our allies

As a result of the Bipartisan Budget Summit prior to the submission of the FY 89 Budget Amendment, and after due consideration

of the enormity of the fiscal problems we face, I accepted cuts in MILCON programs where increased risk was in my judgment bearable. In some cases, I accepted cuts in long term, high priority programs such as family housing and shifted my emphasis to leasing initiatives. However, three key points that argue revisiting the issue in 1990:

- The economics of amortization in seven years.
- The need to take care of soldiers and their families.
- The requirement to facilitate treaty implementation. By these I mean that the installations in Panama are not modular. As the force is drawn down, it will have to be consolidated at installations that will be turned over last. This will require some construction and/or alterations to existing facilities.

In light of other budget cuts, USSOUTHCOM's modest MILCON programs in FY 89 assume even greater importance in my strategy of tailored force options in Latin America in the near-term and developing the doctrinal test bed for capabilities that will enhance our ability to operate in the Third World over the long haul.

The Bottom Line

Threats to our national security interests in Latin America are every bit as real albeit more subtle than those posed by the Warsaw Pact. Moreover, we don't have 40 years of orderly development in our strategic thought about how to deal with these grey areas of threat, nor have we applied in consistent fashion our strategy of deterrence and flexible response to the low-intensity/high-probability conflict environment we face in Latin America. We must view these threats for what they are and underwrite the conditions which will permit the fragile Latin American democracies to mature.

Our military strategy and its associated MILCON program for the region are appropriate and bare-bones. Effectiveness hinges on long-term and consistent US commitment, as recommended by the National Bipartisan Commission on Central America in 1984 and reiterated frequently by our national leaders.

We cannot avoid the fact that we must take sides in this strategic conflict and remain willing to demonstrate long-term

commitment and stand by our neighbors and fellow democracies at a time when they most need our help. We must have the courage to pay what it costs for as long as it takes. To the extent we cut funding in other areas such as security assistance, we are forced to meet our responsibilities by ensuring that minimum funding requirements for areas such as force presence through MILCON and exercise related construction are satisfied.

It is time that we take full measure of our national interests in Latin America. A strategy without resources is empty rhetoric which leads to failure. The fundamental question is that of our willingness to step in with an enduring commitment to democracy and economic development in this hemisphere and the willingness to underwrite the relatively low costs of providing the security shield behind which they can be achieved.

CONSTRUCTION PLAN AND ENGINEERING ACTIVITIES

CARIBBEAN BASIN FY 1988 - 1993

NOTES

- Military construction projects as listed for FY 1990 - 1993 are included in outyear planning and are still subject to additional Service and OSD review prior to being included in future budget requests. Some requirements, although identified at this time, are not included and will be addressed in the future considering changing requirements and budget constraints.
- Operations and Maintenance (O&M) costs for troop accomplished items include materials and identifiable POL costs and does not include statistical labor, equipment use, and transportation costs.
- Construction associated with exercises has not been put in final form, designed or approved by possible host nations for FY 1990 -1993: however, tentative plans indicate a possible level of effort of about \$3 millic. per year.
- Non exercise construction with O&M funds is accomplished either by contract or with activity personnel.

APPROVED FY 1988 MILITARY CONSTRUCTION PROGRAM

ANTIGUA		(\$000)	
Naval Support Facility			
Facility Upgrade	3,250		Provides facility upgrades and a new dining facility.
GUANTANAMO BAY			
Naval Station			
BOQ Modernization	1,770		Quality of life.
Facility Energy Imps	917		Utility upgrade.
PANAMA			
Howard AFB			
Flightline Sec Lights	310		Improved security.
Upgrade Airfield Fac	10,690		Upgrades maintenance and operations support facilities.
PUERTO RICO			
Roosevelt Roads			
Telemetry Building	2,020		Weapons range improvements.
Sabana Seca			
Security Improvements	400		Upgrade security.
Fort Buchanan			
Air Condition Elem Sch	1,200		Quality of life.
KEY WEST			
Municipal water connection	5,400		Navy's share of system improvement.
Radar Air Traffic Control Center	1,180		Now in small trailers.
Hydrofoil berthing wharf	9,000		Relocate from Trumbo Pt. to Truman Annex on Key West.

PROPOSED FY 1989 MILITARY CONSTRUCTION PROGRAM

ANTIGUA		(\$000)	
Naval Support Facility			
Facility Upgrade	6,500		Training support special warfare. Operational facs, small craft berth.
HONDURAS			
Palmerola			
Facility improvements	3,050		Improve facilities by replacement with modular construction.
PANAMA			
Naval Station			
Special Warfare Unit	7,140		Provides operations buildings, BEQ, small craft berthing.
Howard AB			
Alter UEPH	2,600		Quality of life.
KEY WEST			
Electrical dist system	900		Backup power distribution.
PUERTO RICO			
Ft Buchanan			
Middle school	9,110		Alleviate overcrowding.

PROJECTS CURRENTLY IN PLANNING FOR THE FY 1990 MILITARY CONSTRUCTION PROGRAM

ANTIGUA	(\$000)	
BEQ	2,000	Training support. Naval presence.
GUANTANAMO BAY		
Police Station	1,200	Improve security.
Shore Intermediate Maint	13,700	Provides shop repair functions. Upgrades from obsolete facilities.
HONDURAS		
Palmerola		
Facility improvements	3,100	Improve facilities by replacement with modular construction.
La Mesa		
Airfield improvements	10,000	Provides pavement, fuel storage and related facilities for exercise and crisis support.
PANAMA		
Howard AB		
Aircraft Parking Apron	6,700	Army helicopter parking area.
Alter UEPH	2,650	Quality of life.
STOL Aircraft Support	7,500	Parking apron, Ops/Maint Facility
PUERTO RICO		
Communications Station		
Supply/Fiscal facility	700	Replaces prefab remote buildings.
Transmitter cooling sys	1,000	Improves heat/humidity control.
Main substation	500	Increase electrical power.
Roosevelt Roads		
Addition and renovation to elementary school	3,200	Upgrades substandard facility.
Addition and renovation to Middle/High school	2,400	Upgrades substandard facility.
KEY WEST		
Ordnance Ops building	3,100	Supports growth of EOD unit.

PROJECTS CURRENTLY IN PLANNING FOR THE FY 1991 MILITARY CONSTRUCTION PROGRAM

GUANTANAMO BAY

Civilian Barracks	5,100	To house foreign national workforce.
Waterfront Ops Bldg	2,100	Consolidates waterfront operations.

HONDURAS

LaMeso

Airfield Upgrade	13,000	Provides parking apron, taxiway and fuel storage/system.
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PANAMA

Corozal

UEPH modernization	1,350	Quality of life.
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Naval Station

Fencing and lighting	1,500	Security improvement at fuel storage depots.
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PUERTO RICO

Naval Station

Target drone maint fac	1,500	Supports fleet training ranges.
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Enlisted mess hall	5,000	Relaces undersize mess.
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PROJECTS CURRENTLY IN PLANNING FOR THE FY 1992 MILITARY CONSTRUCTION PROGRAM

	(\$000)	
GUANTANAMO BAY		
Civilian barracks	3,900	Living quarters for third country national work force.
Quaywalls	8,700	Waterfront repairs.
Standby generators facility	2,400	Backup power at air station.
Chapel/Rel Ed facility	1,900	Chapel at isolated air station.
BEQ	2,400	Supports naval hospital.
Hospital addn/alteration	19,000	Upgrades medical facilities.
Elementary/HS addition	2,560	Required to accommodate increased student loading.
PUERTO RICO		
Naval Station		
Warehouse	4,800	Replaces substandard facility.
Ft Buchanan		
Addition and alteration to junior high school	4,200	Upgrades substandard facility.
KEY WEST		
Enlisted mess hall	2,500	Replaces undersize obsolete mess.
Water storage facility	1,800	Increases capacity.
Small arms range	800	To improve small arms proficiency.
Airfield perim security	2,700	Lighting and fencing upgrade.

PROJECTS CURRENTLY IN PLANNING FOR THE 1993 MILITARY CONSTRUCTION PROGRAM

ANTIGUA		
	(\$000)	
Warehouse	400	Training support.
GUANTANAMO BAY		
Water storage facilities	6,300	Supports desalinization plant.
Replace evaporator	7,300	Improves fresh water production.
PUERTO RICO		
Naval Station		
Approach lighting	1,700	Upgrade aircraft landing aids.
Hospital/Dental Clinic	13,800	Replaces obsolete and undersized medical/dental facilities.
KEY WEST		
Emergency power plant	3,600	Standby generators.

NON EXERCISE MINOR CONSTRUCTION FY 1988

PREVIOUSLY REPORTED

HONDURAS	(\$000)	
Palmerola	1,853	46 Projects
Tiger Island	30	Repairs to troop support facilities
COSTA RICA		
Single lane road	30	Deployment for training

NON EXERCISE MINOR CONSTRUCTION PLANNED FOR FY 1988

NOT PREVIOUSLY REPORTED

HONDURAS	(\$000)	
Blackjack sewer line	10	Quality of life
Sidewalks, brick, Blackjack	11	Quality of life
Upgrade rifle range 25 m	55	Operational facility
Auxiliary power, FESA	70	Reliable power
Blackjack drainage	50	Quality of life
Temporary fire station	20	Operational facility
Maintenance pad FESA	35	Operational facility
Elect upgd of MI Btn huts	12	Quality of life
Upgrade Blackjack shower	28	Quality of life
Maintain interior roads	18	Quality of life
Sidewalks, brick, Palmerola	25	Quality of life
Lighting for POL storage area	15	Operational facility
Washer/dryer	60	Quality of life
Tennis court Blackjack	25	Quality of life
Theater	36	Quality of life
Air Force area showers	19	Quality of life

SERVICE UNSPECIFIED MINOR CONSTRUCTION

PREVIOUSLY REPORTED

PALMEROLA	(\$000)	
UH-60 parking apron	903	Operational improvement. Flight safety
Integrated internal security system	920	Operational improvement. Personnel security.

EXERCISE RELATED CONSTRUCTION FY 1988

PREVIOUSLY REPORTED

HONDURAS

SAN LORENZO

POL discharge terminal	950	Troop exercise
Port Staging area	612	Troop exercise
Repair forward landing strip	778	Troop exercise
Access road	40	Troop exercise

PUNTA RATON

Port staging area	369	Troop exercise
Upgrade road (causeway)	200	Troop exercise

LA MESA

Cargo staging area	757	Troop exercise
Base camp	34	Exercise support

MOCORON

Repair forward landing strip	18	Troop exercise
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PUERTO LEMPIRA

Upgrade forward landing strip	110	Troop exercise
Repair road and bridge	37	Troop exercise

JOCON

Single lane road 11.6 Km	255	Troop exercise
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PUENTE GRANDE

Base camp	315	Exercise support
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EXERCISE RELATED CONSTRUCTION FY 1988

NOT PREVIOUSLY REPORTED

SAN LORENZO

Preparation for AT 89	400	Troop exercise
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GOLOSON

Preparation for AT 89	400	Troop exercise
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CONSTRUCTION PLAN AND ENGINEERING ACTIVITIES - CARIBBEAN BASIN 1988 -1993

SUMMARY

(\$ in millions)

MILCON

FY	88	89	90	91	92	93	TOTAL
Antigua	3.25	6.50	2.00	0	0	0.40	12.15
Cuba	2.69	0	14.90	7.20	40.86	13.60	79.25
Honduras	0	3.05	13.10	13.00	0	0	29.15
Panama	11.00	9.74	16.85	2.85	0	0	40.44
Puerto Rico	3.62	9.11	7.80	6.50	9.00	15.50	51.53
Other	<u>15.58</u>	<u>0.90</u>	<u>3.10</u>	<u>0</u>	<u>7.80</u>	<u>3.60</u>	<u>30.98</u>
	36.14	29.30	57.75	29.55	57.66	33.10	243.50

FAMILY HOUSING

A shortage of adequate family housing units continues in Panama. The Army as housing agent will continue to explore avenues to satisfy the need for family housing.

HONDURAS NON EXERCISE OAM FUNDING

Reported to date	1.91						1.91
Estimated	1.10	3.00	3.00	3.00	3.00	3.00	16.10

HONDURAS UNSPECIFIED MINOR MILITARY CONSTRUCTION

Reported to date	1.82						1.82
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EXERCISE RELATED CONSTRUCTION

Reported to date	4.48						4.48
Estimated	.80	4.50	4.50	4.50	4.50	4.50	23.30

SITUATION IN CENTRAL AMERICA

Senator SASSER. Before we conclude, Secretary Armitage, I might take advantage of your presence here as a senior Pentagon official with jurisdiction in Central America, and I would ask if you would briefly update us on what is happening in Panama and also with regard to Honduras.

Mr. ARMITAGE. Well, with the caveat that I am now 3 hours or so out of date—

Senator SASSER. That will teach these press people to run out the door before we conclude.

Mr. ARMITAGE. The situation in Central America is, as General Paul indicated yesterday, that we believe the Sandinistas have for the most part withdrawn to their side of the border. There may be a pocket this morning still remaining in Honduras, but they were clearly in the process of leaving.

President Azcona has spoken out quite strongly as well and gave great credit to the demonstration of will as exhibited by the exercise that we just participated in.

SITUATION IN PANAMA

In Panama, there is a general strike. There is a general strike which is called for today, which is in effect. We expect most of the labor leaders and the people involved to participate in the strike.

The streets were quiet, traffic was light this morning in Panama. The pressure continues to build on General Noriega, as has been indicated by other administration witnesses. And we continue to believe that the best thing which can happen for Panama is the rapid departure of General Noriega from a leadership position in Panama.

Senator SASSER. Gentlemen, thank you very much. I appreciate your appearing here this morning.

SUBMITTED QUESTIONS

We have had some additional questions which have been submitted for the record, and I would ask you to respond to those in a timely fashion. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR SASSER

NATO INFRASTRUCTURE

QUESTION: Secretary Woodworth's testimony indicates that ways of further expanding the usefulness of the NATO Infrastructure Program are being studied. Specifically, what is being considered?

ANSWER: The study is not expected to be complete until possibly mid-summer. Consequently, at this stage there are many possibilities being investigated, several of which may later be set aside. General issues the study is exploring include:

- expanding the types of projects covered by the Infrastructure Program, e.g., maintenance support facilities for armored vehicles;
- accelerating certain types of key projects and eliminating delays affecting projects in general;
- facilitating support and coordination of the Infrastructure Program among (and within) participating governments; and
- pursuing solutions in areas such as safety, land availability, design contracting, bidding, and prefinancing.

DISCRIMINATE DETERRENCE

QUESTION: To what extent does the report of the Blue Ribbon Commission entitled "Discriminate Deterrence" represent the planning of the Department of Defense?

ANSWER: The report is not an official document of the Administration and is not an expression of government policy. The study represents an informed assessment of how future technology and other changes may affect our security. The report is global in scope, and devotes much attention to conflicts in the Third World that might be of concern to the U.S. It is noteworthy, however, that the bipartisan group constituting the Commission endorsed undiminished support for our North Atlantic Alliance commitments, including a strong re-endorsement of forward deployment and the U.S. nuclear guarantee for the Alliance. Nevertheless, the clearest definition of this government's policy is found in the President's statement published in "National Security of the United States." In addition, the "Byrd Report" supplies the detailed implications of the INF agreement for the U.S. security strategy.

QUESTION: Our European allies have expressed serious concerns over the report. If the report were to become the adopted policy of the United States Government, how would our European commitment be impacted?

ANSWER: While the report on "Discriminate Deterrence" is a useful and worthwhile report, there are several areas where it is flawed, and full implementation would have serious implications for the NATO Alliance. As a result, it would be impractical to implement the report fully, and therefore not useful to speculate on how it would affect our NATO commitments.

QUESTION: Given budgetary constraints, it would be difficult to substantially increase our current ability to operate in Third World contingencies and maintain the existing force structure in Europe. If the recommendations of "Discriminate Deterrence" were to

be adopted, how would the force structure have to be altered, including reductions in Europe and Asia?

ANSWER: In the aftermath of the INF treaty, the U.S. intends to honor its commitments to the North Atlantic Treaty Organization. It would not be a beneficial exercise to speculate about possible reductions in U.S. forces in Europe which are not planned.

POST-INF FORCE STRUCTURE

QUESTION: Specifically, how will our force structure in Europe be altered after ratification of the INF Treaty?

ANSWER: The INF Treaty does not alter the requirement that NATO maintain military forces which provide the mix of nuclear and conventional capabilities necessary to support the deterrent strategy of flexible response. The NATO High Level Group is currently reviewing those adjustments viewed as necessary by member nations. The final report will establish the baseline and identify the actions necessary to restructure the force as a basis for Alliance and national decisions. It is expected to examine the implications of restructuring the force in light of the INF Treaty and make recommendations as to composition of the remaining forces. This report will be presented to the NATO Nuclear Planning Group (NPG) at the end of April 1988.

QUESTION: Press reports indicate that the British Prime Minister has agreed to the basing of an additional 140 F-111's in the U.K., making the total deployed there 200. Are these reports correct?

ANSWER: No such agreement has been announced to our knowledge, nor has such an agreement been made.

QUESTION: If additional 111's are stationed in Europe or other force structure enhancements accomplished, who will pay for the infrastructure to support the enhancements?

ANSWER: Changes or adjustments in the force structure may not lead to significant additional infrastructure support requirements. It would depend on the specific nature of the adjustment, tradeoffs (if any), and the particular bases affected. However, if additional support requirements were identified, then NATO Infrastructure would pay for all NATO-eligible requirements, and we would seek Military Construction support for items normally provided by that program.

EMERGING TECHNOLOGIES

QUESTION: European allies have expressed concerns that emerging technologies which would emphasize an offensive defense would change the defensive nature of the Alliance, and they have also expressed concern that U.S. industries, not European industries, will receive the greatest benefit from the development of such ET weapons systems. Given these European concerns, will we consult with Alliance members before procurement is initiated of such weapons systems?

ANSWER: We regularly consult with the allies through various NATO and bilateral fora. The NATO Conference of National Armaments Directors is the principal forum for addressing Alliance acquisition matters. Presently, U.S. and allied armament plans are reported annually in the NATO Armaments Planning Review (NAPR) process, which

identifies the planned weapons system acquisitions of all NATO member nations.

NATO is currently conducting a two-year trial of a more sophisticated system to coordinate acquisition efforts: the NATO Conventional Armaments Planning System (CAPS). Intended to relate armaments acquisition efforts more closely to the requirements and priorities of the major NATO commanders, CAPS is expected to provide a much-improved framework for identifying and facilitating opportunities for cooperation in the research, development, production and logistics support of defense equipment. When ultimately established, it will be reasonably comprehensive and will address all types of conventional weapons systems.

QUESTION: Early indications are that ET weapons systems will be substantially more expensive than existing conventional weapons. Do we intend to seek an equitable contribution from Europe for the development and deployment of these technologies?

ANSWER: All major U.S. weapons systems are evaluated for cooperative potential by the Under Secretary of Defense for Acquisition at each milestone in the acquisition approval process. This includes an assessment of the advantages and disadvantages of seeking to structure a cooperative development program with one or more nations. Specific areas addressed include program timing, developmental and life cycle costs, risks and benefits of technology sharing, and Rationalization, Standardization and Interoperability (RSI). Each analysis includes a recommendation as to whether the U.S. should explore the feasibility and desirability of a cooperative development program with one or more U.S. allies. If international negotiations are successful in achieving an equitable agreement, a cooperative program will ensue.

401st TACTICAL FIGHTER WING

QUESTION: What is the current status of relocating the 401st Tactical Fighter Wing?

ANSWER: NATO has taken the question of relocating the 401st Tactical Fighter Wing under close consideration. Both the Military and Infrastructure Committees are reviewing the question in detail, with the Defense Planning Committee Ministers expected to address the question at their scheduled meeting in late May. The need to retain the Wing in NATO's Southern Region has been widely accepted, with good cooperation evident in the alternative feasibility review effort. We expect that the NATO proceedings will allow us to make a firm beddown or deactivation decision by August of this year.

QUESTION: To what extent will NATO pay the cost of relocation?

ANSWER: Our allies are well aware of Congressional concerns regarding 401st relocation costs and are now considering the problem. However, until we have identified the site and completed a full survey to determine the extent of the requirement, we do not expect NATO to make any funding decisions. Nevertheless, general support has been very positive and we anticipate that funding decisions will follow suit.

QUESTION: What is the current projected schedule for selecting a new basing arrangement for securing a decision from NATO with regard to financing?

ANSWER: We expect to have a decision no later than August of this year.

QUESTION: There are certain positive aspects of the base negotiations with Spain. From the standpoint of U.S. interests, what are the positive aspects of these negotiations?

ANSWER: The benefits that we hope will accrue to the U.S. include the maintenance of the status quo on the technical provisions included in our current agreement, and extension of the duration of the new agreement from the current five years to eight. Key to the overall agreement is that the utility of our base at Rota should be undiminished. Moreover, wartime access to all Spanish bases is expressly spelled out.

EUROPEAN SUPPORT FOR OTHER NATIONS

QUESTION: It has been reported that the British Government is seeking new financial contributions from Germany to help offset the cost of British troops in Europe. To what extent does the German government already contribute to British stationing of troops?

ANSWER: The German government provides military installations and training areas at no cost to the British armed forces stationed in Germany. This is the same treatment as is afforded U.S. forces. Similarly, 92,000 housing units are provided free of charge to shelter military personnel and their families. The British and U.S. are treated in the same fashion.

QUESTION: What new ways are being sought by the U.K. for increased host nation support from Germany?

ANSWER: We are aware of the fact that the British and Germans are negotiating an agreement which would result in the Federal Republic of Germany providing the British non-military support for British forces. This support would be similar to that provided under the U.S.-F.R.G. Wartime Host Nation Support Agreement, e.g., transport, handling and maintenance of equipment. We are not aware of the details of the agreement.

GERMAN ARMY REORGANIZATION

QUESTION: Recently, the Federal Republic of Germany announced a reorganization of its Army organization. Specifically, what does the reorganization seek to achieve?

ANSWER: The reorganization adjusts the development of the German Army to reflect serious demographic changes. The reorganization seeks to optimize the overall structure by incorporating technological and operational innovations, and by significantly improving the capability to mobilize quickly.

QUESTION: Will there be less active duty troops as a result of this reorganization?

ANSWER: The peacetime strength of the German armed forces will continue to be 495,000, composed of 456,000 active personnel and 39,000 reservists either on standby readiness or on active duty for training. The reorganization includes a reduction from 489,000 to 456,000 in peacetime active duty strength (17,400 of the reduced active duty men will be from the Army) and reflects a fact of life, namely the drastic decrease in births since the late 1960's. The

planned wartime strength of the Federal armed forces remains at 1.34 million men.

QUESTION: It has been reported in the press that overall brigade strength will be reduced 70 percent under the reorganization and that it will, in effect, "reduce the West German army to an education facility for reservists." Is that a fair assessment of the reorganization?

ANSWER: That is an unfair assessment of the reorganization. In order to accommodate a reduction of 17,400 in peacetime active duty strength, the reorganization provides for more rapid integration of reserves in the event of war. Fifteen of the Field Army's brigades will be maintained at 70 percent strength, and the remaining 27 at between 50 and 70 percent strength. Reduced manning levels in the Field Army brigade will be offset in part by the conversion to active duty of one battalion in each of the fifteen Territorial Army regiments. The army restructuring aims to keep units assigned covering, forward defense, and backup operational missions in a high state of readiness.

DEFENSE SPECIALIZATION

QUESTION: Many observers believe that the defense of NATO would be enhanced if nations specialized in specific warfighting capabilities. Under such arrangements, the United States would place less emphasis on ground troops and more emphasis on air power. What is the Department's view of this approach? Do we encourage more specialization by our allies in this manner?

ANSWER: It is important to keep in mind that in peacetime, the Europeans already provide 90 percent of the ground forces and 80 percent of the combat aircraft in Europe. After full mobilization, on a world-wide basis, the Europeans would provide about 60 percent of the ground forces and over half of the air forces of the Alliance. It would be extremely difficult for the European allies, particularly those countries on NATO's Central Front, to increase the size of their armed forces because of declining numbers of people of draft age.

Soviet conventional superiority requires that the United States augment the ground and air forces of our NATO allies in peacetime, and that we maintain the ability to reinforce these forces rapidly if the need should arise. Without this peacetime presence and wartime reinforcement capability, NATO's deterrent strategy of flexible response would be called into question. With this said, however, the U.S. is not in principle averse to the exploration of possible adjustments or redistribution of military tasks and roles in the Alliance where these might contribute to enhancing the credibility and effectiveness of NATO's total defense posture.

JAPANESE CONTRIBUTIONS

QUESTION: Provide for the record a detailed breakdown of Japan's contributions to U.S. military forces?

ANSWER: Japanese costs in support of U.S. forces for 1987 are as follows:

Facilities	\$ 576.8 million
Facilities Support	385.0 "
Land	780.0 "

Labor Cost	262.9	"
Rent for GOJ Land	249.8	"
Miscellaneous	96.1	"
Total	\$ 2,350.9 million	

QUESTION: What percentage of Japan's contributions go directly to reduce U.S. costs?

ANSWER: Facilities for U.S. forces and reduction of U.S. labor costs amount to 52 percent of Japanese costs.

QUESTION: What percentage of the Japanese contribution goes to other expenditures, such as assisting local homeowners in noise abatement, etc.?

ANSWER: Other expenditures, including rent, cost avoidance, etc., amount to 48 percent of Japanese costs.

QUESTION: What is the status of the current plans to build a family housing complex near Zushi?

ANSWER: After a long and exhaustive process of planning and environmental assessment, the project is now ready to proceed. We expect that the first work on this project--which is much needed by our people--will begin this year. It is included in the 1988 Japanese Facilities Improvement Program budget and will be funded entirely by the Japanese.

ZAIRE

QUESTION: Provide for the record a copy of the report required by the committee on construction in Zaire.

ANSWER: The report was submitted on February 1, 1988 to the Chairman of the Subcommittee on Military Construction by the Assistant Secretary of Defense for International Security Affairs.

QUESTION: What has the Government of Zaire asked us to construct?

ANSWER: The Government of Zaire has not asked the Department of Defense to construct anything. In October 1985, Zaire offered to lease to the U.S. the two Zairian bases at Kamina and Kitona. We declined. On November 20, 1985, the Deputy Commander in Chief, U.S. European Command, visited the Kamina base complex and was impressed by its potential as a training site. He received briefings while there which included Zaire's plans to rehabilitate the base. In late 1986, the U.S. European Command identified several repairs which needed to be accomplished prior to the commencement of a U.S.-Zairian exercise, "MBOTE 87," scheduled for April 1987. The Department of Defense intended to effect those repairs but was unable to obtain interagency agreement to do so in a timely fashion. The Zairian government accomplished the repairs, and the exercise was an unqualified success. The Zairian Ministry of Defense and State Security subsequently asked the U.S. verbally for reimbursement for the one million dollars spent by Zaire. The Zairians were informed that this was not legally possible. They have not repeated their request for reimbursement since we advised them of our intention to undertake some modest repair work during our next exercise, "MBOTE 88."

QUESTION: What will we construct during exercises in the coming year?

ANSWER: During the exercise, we intend to install two small vehicle fuel tanks with hand pumps (to eliminate the dangerous practice of transferring fuel to vehicles from 55-gallon drums), and to construct a 25-meter-long unpaved driveway to permit access to the base crash and rescue facility. (We may later install a small fence around the vehicle fuel tanks to reduce the potential for pilferage.) Total cost of these projects is estimated at approximately \$50,000. We will also develop a design study of the crash and rescue facility and conduct a technical survey of the aviation storage facility as potential projects to support future exercises.

QUESTION: What have we constructed during the last 24 months?

ANSWER: The Department of Defense has not undertaken any construction in Zaire in the last 24 months.

QUESTION: Do we seek base access or base rights in Zaire?

ANSWER: Zaire has granted the U.S. occasional access to its bases and facilities on a routine basis. We do not seek formal access or base rights agreements with Zaire.

AUSTRALIA

QUESTION: It has been reported in the press that for the first time the Australian government has publicly linked the issue of U.S. agricultural subsidies to U.S. defense cooperation. Is the Department concerned that this issue could impact on the future of U.S. facilities in Australia?

ANSWER: Australian Prime Minister Bob Hawke has expressed concern over U.S. trade policies and their possible adverse implications for the U.S.-Australian alliance relationship. The Australian government remains concerned that protectionist trade legislation would adversely impact on the strength of the Australian economy, and thereby undermine both Australia's economic ability to cooperate with the U.S. as a security partner, and public support for such cooperation. Nevertheless, the Prime Minister has publicly reaffirmed existing government policy by ruling out the use of the Joint Defense Facilities as leverage in a trade dispute. Secretary Carlucci opposes linking trade and security matters, as did his predecessor. He is confident that the Joint Defense Facilities in Australia will not be directly jeopardized by disagreements over trade issues.

PERSIAN GULF BASE ACCESS

QUESTION: Provide for the record a discussion of base access currently available to the United States which supports the U.S. Central Command?

ANSWER: A number of access and host nation support agreements support operations of the U.S. Central Command.

The U.S. has a formal access agreement with Morocco which will facilitate air throughput during contingencies. Egypt has agreed to selected prepositioning of equipment, and we count on air throughput availability during crises although there is no formal written agreement.

In the Persian Gulf, the U.S. has a formal agreement with Oman for prepositioning and throughput. Under a lease agreement, Bahrain has long authorized U.S. use of selected facilities which now

include some storage, berthing access and air throughput in support of naval forces in the Gulf.

[Deleted.]

QUESTION: Is it the intention of the Department to seek renegotiation of base access in each of the countries?

ANSWER: The Department of Defense fully intends to extend the current base access agreements, providing of course that the host countries agree and our operational needs continue.

PERSIAN GULF BASE ACCESS

QUESTION: What are the prospects for renegotiation in each case?

ANSWER: Our military and political relations with Morocco are expanding continuously and positively, and we do not anticipate any insurmountable difficulties in renewing our access agreements there. Oman and Bahrain are long-time friends and allies in the Persian Gulf area. We believe that U.S. resolve in the current crisis reinforces strongly their willingness to continue close military relationships. [Deleted.]

QUESTION: Does the Department anticipate each country will seek additional foreign assistance as a result of the negotiations?

ANSWER: We have little doubt that each country will seek to expand to some degree the amount of help and assistance the U.S. currently provides. DoD knows well the budget realities and constraints over the near term, and most of our bilateral partners understand them as well. As our access and host nation support agreements come up for renewal, we will examine carefully each other's requirements and perceived needs, and hopefully reach agreements which are mutually acceptable and beneficial.

BASE CLOSURES

QUESTION: What are the current plans by the Department to study base closures?

ANSWER: The Secretary of Defense is considering the establishment of a commission to look into base realignment and closure in light of current force structure assumptions. He has tentatively asked Mr. Abraham Ribicoff, former Senator from Connecticut, and Mr. Jack Edwards, former Congressman from Alabama, to co-chair the panel. The Commission would not operate independently of the Congress. One of the first products we would expect from the Commission would be their determination of the best process for identifying bases to be closed or realigned, and their determination of how to improve incentive programs to overcome the negative impact of base closures. This would be followed by their recommendation of candidates for base closure or realignment. In determining whether to recommend a closure or realignment, the Commission would take into consideration, at minimum, the following:

- (1) the current and future mission requirements, and the impact on the operational readiness of the military departments concerned;
- (2) the potential to accommodate contingency, mobilization, and future force requirements at receiving locations;
- (3) the availability and condition of land and facilities at both the existing and potential receiving locations;

- (4) the environmental impact;
 - (5) the cost and manpower implications;
 - (6) the extent and timing of potential cost savings, including whether the total savings realized will, within six years after the completion of the closure or realignment of a base, exceed the amount expended to close or realign it;
 - (7) the economic impact on the community in which a base to be closed or realigned is located;
 - (8) the community support at the receiving locations; and
 - (9) the implementation period involved.
- In order to enact their recommendations, DoD will need the full support of the Congress.

QUESTION: Will the study include base closures overseas?

ANSWER: The main subject of the Commission's review will be all of our installations inside the United States.

The Secretary intends to conduct a separate study of actions planned with respect to military installations outside the United States which may affect the recommendations of the Commission, and will provide his findings to the Commission.

SOVIET MEDITERRANEAN BASE

QUESTION: It has been reported in the press that the Soviets have opened their first naval base in the Med, at the Syrian port of Tartus. Is this report correct?

ANSWER: [Deleted.]

QUESTION: What problem would such a base pose for the United States and our allies?

ANSWER: [Deleted.]

ALLIES LENDING TO SOVIET BLOC

QUESTION: The former DoD Assistant Secretary for International Security Policy has testified before the House that banks in allied countries are putting an extra burden on the United States by lending "prodigious amounts" to the Soviet Union and Warsaw Pact countries. Mr. Perle also testified that Japan alone holds almost 30 percent of Cuba's external debt and has provided the Soviet Union with 40 percent of its loans and credits at low interest in the last three years. Is this testimony correct?

ANSWER: Yes; although exact numbers are not available, it is approximately correct.

QUESTION: What specific statistics can you provide this committee on this subject?

ANSWER: According to the Department of the Treasury, Soviet Bloc credit utilization amounted to \$23.5 billion in 1986 (statement of Thomas J. Berger, Deputy Assistant Secretary for International Economic Policy and Trade, November 17, 1987). The steep rise in the U.S.S.R.'s borrowing in 1985 and 1986 was caused by declining hard currency export earnings.

It is possible that Japanese banks accounted for as much as 40 percent of the new credits extended to the Soviet Bloc over the last three years. This is not surprising, however, since Japanese financial institutions have moved to the front rank of international

finance in recent years by recycling their earnings from trade surpluses. The interest rates charged by Japanese commercial banks have been highly competitive, sometimes falling below rates offered by other lenders.

It should be noted that most of the new credits obtained by the Bloc in the last three years have been originated by commercial banks. Western governments are playing less of a role in East-West finance than during the 1970's. This development has added to the difficulty of data collection, and makes it impossible to furnish precise figures on all Japanese lending.

In the case of Cuba, while it is not possible to verify that 30 percent of its external debt is owed to Japan, it is not an unreasonable figure if we speak only of hard currency debt. On the other hand, if nonconvertible credits are included, the Japanese share would fall to a much lower level, since the Cubans also have a massive ruble debt with the U.S.S.R.

ALLIES LENDING TO SOVIET BLOC

QUESTION: Does the Department share Mr. Perle's concern that these allied lending practices represent an extra defense burden on the United States?

ANSWER: We are concerned about the recent rise in untied or general-purpose lending by the commercial banks to the Warsaw Pact nations. In 1986, for example, of the \$8.0 billion in credit to the U.S.S.R., roughly \$6.4 billion was not tied to specific projects or trade transactions. The majority of Western lending to Eastern Europe in 1986 was also untied. Such general-purpose cash loans to sovereign borrowers raise questions as to the uses of funds for non-productive purposes or the possible diversion of credits to Soviet client states.

We believe that the extension of subsidized terms on official credits to the Soviet Bloc creates an extra defense burden on the NATO Alliance. The U.S. and the Allies have cooperated in eliminating subsidies in official credits for trade with the U.S.S.R. Under an agreement reached within the OECD in 1983, the Allies agreed to classify the U.S.S.R. as a developed country for purposes of official export financing, which requires the U.S.S.R. to pay market rates for credit.

Thus, U.S. policy towards the Soviet Union is not one of economic warfare, but is designed to eliminate subsidies on official credits and impose greater discipline and transparency in finance.

QUESTIONS SUBMITTED BY SENATOR STEVENS

JAPANESE BURDENSARING AND YEN/DOLLAR EXCHANGE RATES

QUESTION: How would you describe the impact of the decline in the U.S. dollar relative to the Japanese yen on the standard of living of our forces in Japan?

ANSWER: The dollar has declined approximately 48 percent since December 1984. Predictably, U.S. personnel are experiencing a lower standard of living despite supplemental housing costs and other cost of living allowances. Our people are staying on base more, thus placing an increased demand on available morale, welfare and recreation facilities.

DoD is facing a deficit of \$325 million in these essential overseas allowance accounts because of the falling dollar. Congressional approval is needed to tap the currency fluctuation fund to cover the deficit.

QUESTION: In what specific areas could the Japanese most easily increase their contribution to your mission of Pacific regional defense?

ANSWER: Japan could contribute effectively to Pacific regional defense by assuming more of the costs associated with stationing U.S. forces in Japan, even though they now assume about 40 percent of the total cost. The formulation of plans to fund fully their near-term defense program will result in a stronger, more capable self-defense force that is a significant factor in regional stability. Expansion of their economic assistance to developing countries, particularly the Philippines, will also contribute to regional security.

QUESTION: Noting in your testimony an estimated dollar-yen exchange rate of Y128 to \$1, why do you think the current defense budget uses an exchange rate of Y163.1 to \$1?

ANSWER: For consistency, DoD guidance establishes a Budget Execution Rate (BER) to be used in the preparation of the DoD budget year requirements (US FY+1). The rate of Y163.1 to \$1 was established in December 1986, based upon input from U.S. Embassy Tokyo. This rate can be found in all U.S. budget planning documents. The true value of the Japanese defense budget is more appropriately stated at the current rate of exchange, which at time of the hearing was Y128 to \$1. Because of the continuing appreciation of the yen, the Japanese defense budget, when reported at the BER, has been consistently undervalued.

JAPANESE SUPPORT, YEN/DOLLAR RATES, AND AEGIS SALE

QUESTION: When you estimate Japanese defense spending in 1981 compared to 1988, what exchange rate do you use in calculating this increased commitment to defense?

ANSWER: DoD uses both current exchange rates and actual expenditures in yen when providing Japanese spending figures for 1981 and 1988. Although the increase in dollar terms is dramatic (up 200 percent), it is also very significant--over 60 percent greater--in yen terms, with very low inflation throughout the period. In dollar terms, the yen is probably more fairly valued today than in 1981, meaning that past figures were understated and the present dollar figure is realistic.

QUESTION: You ask the question in your testimony, "What do these critics want Japan to do?" Let me ask you, if the Japanese are only supporting 40 percent of our \$6 billion cost of keeping forces in Japan, according to Admiral Hayes, wouldn't this be a place to start?

ANSWER: The Japanese 40 percent already constitutes \$2.5 billion, and we do want them to spend more, as they are committed to do. We expect the Japanese share to continue to rise, and we hope that in the 1990's Japan will assume the greater share of U.S. yen costs, an additional \$2 billion per year.

QUESTION: Isn't some of the dispute you reference concerning the pending AEGIS sale to Japan related to the decision of the Japanese to only buy the technology, not the hardware, from the U.S.?

ANSWER: Japan is proposing to buy \$525 million in off-the-shelf equipment, both hardware and software but primarily the former, from the U.S. in the case of AEGIS. What the question may refer to is the fact that Japan will buy the weapons suite and the propulsion engines in the U.S. but build the ship in Japan. Still, the major part of the \$900 million cost of one AEGIS ship will be spent in the U.S. and will create 5400 man-years of U.S. labor.

NATO INFRASTRUCTURE FUNDING AND F-16 RELOCATION COSTS

QUESTION: What exactly is the U.S. contribution to the NATO Infrastructure budgeted for FY89, and how has it increased over the past three years?

ANSWER: The FY 1989 budget requests \$542.1 million in obligational authority. Of the total, \$40 million will come from anticipated recoupments, while \$502.1 million is required in new appropriations. By design, the size of infrastructure programs is increased 5 percent annually to offset inflation and maintain a constant level of effort throughout the six-year (1985-1990) funding cycle. The total of all six programs equals the agreed three billion Infrastructure Accounting Unit (\$12 billion) ceiling for the period. Annual increases in U.S. authorizations, as shown in the following table, are the result of the designed 5 percent increase and the steady decline of the dollar in Europe.

<u>FY</u>	<u>Appropriated</u>	<u>Actual Authorized</u>
	(\$ millions)	
1986	9.5	310.9
1987	232.0	332.7
1988	381.0	421.0 (estimated)

The strength of the dollar in 1985 allowed substantial deobligation of prior year authorizations, resulting in the carryover of some \$300 million in FY 1986, and reduced the need for new appropriations. Authorizations in FY 1987 were possible due to some carryover and over \$80 million in recoupments collected. For FY 1988, the estimated total for authorizations will include an expected \$40 million in recoupments. As the dollar declines in value, additional funds are required to maintain our contribution, although the Infrastructure Program is increasing in size by only 5 percent annually.

QUESTION: How have the contributions of our NATO allies to the Infrastructure fund changed over the past three years--in terms of their own currencies?

ANSWER: Over the past three years, several other NATO countries have experienced increases in their Infrastructure contributions because of declines in the value of their national currencies. Included in the list are Canada, Turkey, Norway, Portugal, and Greece.

QUESTION: What is your assessment of the costs to the U.S. of shifting the F-16 wing from Torrejon, Spain to another NATO location?

ANSWER: No accurate estimate is currently available because of the uncertainty of location and timing of the move. The current U.S. policy is to ask the NATO Infrastructure Program to pay all relocation costs, including personnel support, family housing, and morale, welfare and recreation facilities.

QUESTION: Where would you propose to make cuts in the existing program to fund the relocation expenses of that unit?

ANSWER: The U.S. position is to request NATO Infrastructure funding for all relocation costs. If current funding ceilings are not increased to accommodate these costs, then adjustments to current long-term plans would be made by NATO military commanders.

SUBCOMMITTEE RECESS

Senator SASSER. The subcommittee is recessed.
[Whereupon, at 12:18 p.m., Monday, March 21, the subcommittee was recessed, to reconvene at the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, APRIL 13, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding.

Present: Senators Sasser, Specter, and Reid.

DEPARTMENT OF DEFENSE

DEPUTY ASSISTANT SECRETARY OF DEFENSE

STATEMENT OF JOHN B. ROSAMOND, DEPUTY ASSISTANT SECRETARY OF
DEFENSE FOR RESERVE AFFAIRS FOR MATERIEL AND FACILITIES

RESERVE AFFAIRS FOR MATERIEL AND FACILITIES

BUDGET FOR GUARD AND RESERVE

Senator SASSER. The subcommittee will come to order. Today we are hearing from the Guard and Reserve components, and I think most of you appearing before the subcommittee this morning know that we are a strong supporter of the Guard and Reserve programs. Last year, not only did we add a number of projects for the Guard and the Reserve but we also directed that more emphasis should be placed on the Guard and Reserve by DOD.

To the chagrin of the subcommittee, the Department did not heed our wishes. Instead the Department has sent to the Congress a budget for the Guard and Reserve that appears at first blush to be totally inadequate.

From the amounts that were approved by this subcommittee last year, the Army Guard has been cut 30 percent in real terms. The Air Guard has been cut 13 percent. The Army Reserve has been cut 17 percent, the Naval Reserve 37 percent, and the Air Force Reserve 28 percent.

The request before us today, if approved by Congress without modification, would in the judgment of the subcommittee be a step backward for both the Guard and the Reserve. It is ill-advised and fails to square with the reality that we need to increase our reliance on the

Guard and Reserve in this period of relative fiscal austerity that appears to be with us for a while rather than reduce our reliance.

As we enter the era of severe budget constraints for defense overall, we must rely more and more upon the Guard and a Ready Reserve. As I have said many times, the Guard and Reserve offers what I think is a highly effective and cost-efficient expenditure of the taxpayers' dollar, with regard to defense.

It is one of the most cost-effective investments that we can make, in my view, in our country's defense.

Gentlemen, I would expect this to be a friendly hearing this morning. I want to state for the record that it will be my intention when the subcommittee marks up in early June to alter the priorities of the budget as submitted. We are going to accelerate funding for the Guard and Reserve and we are going to, again, direct the Department to recognize the need to accelerate funding in future years. Until the Department of Defense gets the message, we will reduce the Active Forces to, if necessary, increase the Guard components.

I want to welcome the witnesses here this morning. We are pleased that we have with us this morning the distinguished Senator from Nevada, Mr. Reid, and I would turn to him now to see if he has any opening statement or comments to make.

STATEMENT OF SENATOR HARRY REID

Senator REID. Thank you very much, Mr. Chairman. The questions I intend to ask today may seem as though they are Nevada-based, and they really are. My interest stems from what I think Nevada is in need of and, perhaps, even deserves. Nevada has been handed almost from the beginning drum of statehood back in 1864 when it was clear in hindsight that the reason for statehood was to get the silver out of Nevada—the short end of the Federal Government's stick. Right now, 87 percent of the State of Nevada is owned by the Federal Government.

As you know, most all of the free world's nuclear weapons are tested in Nevada. We have Nellis Air Force Base. We have the Fallon Naval Air Station, and the Hawthorne Ammunition Depot, which we are really proud to have in the State. I think that Nevada has been a good partner to the military. Nellis is world famous. Hawthorne is becoming so, and the ammunition depot has been there for many, many, many years. But some people in the State of Nevada complain that there hasn't been a reciprocal relationship with the Federal Government.

We have restricted air space: 40 percent of the State of Nevada is restricted. Civilian aircraft can't fly across 40 percent of our State. We, of course, stand a good chance of being the receptacle for the Nation's high level nuclear waste. There is talk about losing the 474th Tactical Fighter Wing. And we see relatively small, very small programs, but important to these facilities in Nevada and to the people of the State of Nevada, being pushed back farther and farther in the Pentagon's budget process.

There is desperate, undeniable need for a hospital at Nellis. But the joint Air Force-Veterans Administration project has been pushed back to 1990. Fallon is facing critical shortages in family housing but no request was even made in 1989. There have been numerous requests by General Clark from Nevada for projects for our Guard units there. They have either been pushed back or completely eliminated.

Nevada is a large State areawise, but it is small in population. We have only a little over 1 million people in Nevada now. And I feel, as do many Nevadans, that we have given, perhaps not more than our share, a lot to the Nation through our defense installations. This brief background, Mr. Chairman, provides the context for questions that I will ask at the appropriate time.

Senator SASSER. Thank you very much, Senator Reid. You make a very valuable contribution to the work of this subcommittee and we very much appreciate your attendance this morning and your interest.

Gentlemen, before I turn to Mr. Rosamond, I might say that I realize that you must support the budget request that the Department has submitted, but this subcommittee does not necessarily have to do that. So with those words in mind, we will turn to our first witness, Mr. John B. Rosamond, the Deputy Assistant Secretary of Defense for Reserve Affairs for Materiel and Facilities and, Mr. Secretary, you may proceed as you wish.

INTRODUCTION OF WITNESSES

Mr. ROSAMOND. Mr. Chairman, I welcome the opportunity to appear before the committee to present the fiscal year 1989 National Guard and Reserve Military Construction Program. Also, I want to thank the committee members for their support of this program over the years.

If I may, I would like to introduce the supporting witnesses at the table with me. On my left are Brigadier General Pickus, Deputy Chief of the Army Reserve and Brigadier General Navas, Deputy Director of the Army National Guard. On my right are Brig. Gen. John McMerty, Deputy Director of the Air National Guard and on his immediate right, Brig. Gen. Sam Carpenter, Deputy Chief of the Air Force Reserve and to his right, Captain Olson, Acting Deputy Director of the Naval Reserve.

I have a formal statement that I would like to put in the record, Mr. Chairman, and make a few informal comments at this time.

MILITARY CONSTRUCTION FOR GUARD AND RESERVE

I share your concern about the military construction program for the Guard and Reserve. Also, as you have so eloquently stated, I must support the President's budget.

I have three points that I would like to discuss. First, when we established this deputate, the Milcon execution record of the Guard and Reserve program was not the best in the Department. I submit to you at this time that we executed 97 percent of the projects and obligated 96 percent of the funds in the first year of the fiscal year 1987 program. I think that is a good record.

GROWTH IN CONSTRUCTION BACKLOG

Now, my two major concerns. First, we have identified over the last 2 years an unprecedented growth in construction backlog, from approximately \$2 billion to nearly \$7 billion. The reason for the growth is I don't think anyone looked at the backlog before. The gentlemen at this table are doing that now. We now have a reporting system and I feel we are at a point where we can attack the backlog in a very aggressive manner.

The second point that concerns me is the backlog of maintenance and repair of existing facilities. We have 6,400 locations with approximately 26,000 buildings located on over 2 million acres of land. We must aggressively maintain and repair this physical plant, valued at approximately \$18 billion and keep the backlog of repair from growing. Those are the two major concerns that I have.

I would like to thank the committee for the language that you presented previously allowing projects of \$400,000 or less to come through our notification process rather than the reprogramming process for costs variations. That has been most helpful. That gives us a lot of flexibility, and I support it strongly.

SPLIT FUNDING

The other point that would come before this committee and other committees in the military construction programs, is the concept of split funding. I certainly have no problems with that for the same reason. It gives flexibility to the management of the program.

As I mentioned, the construction backlog and the maintenance of these facilities are of grave concern. I understand your concern when you look at the backlog and the level of funding. The task is at hand and I am aware of it. I thank you for the opportunity to make these comments and I stand ready to address your questions. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF JOHN B. ROSAMOND

DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS FOR
MATERIEL AND FACILITIES

Mr. Chairman and members of the Committee. It is a pleasure to appear before this Committee and present an overview of the National Guard and Reserve military construction program. I would like to acknowledge this committee's support of the Department's effort to strengthen and improve these programs. Your support of our advanced design and budget initiatives allowed the Reserve components an early start in FY 1987 and they were able to initiate award of 97 percent of the FY 1987 program by the end of the year. This was the highest military construction program execution rate ever achieved in DoD. This permits earlier facility occupancy by Reserve units and enhanced readiness.

We continue to use more than 6400 installations and training sites. These facilities represent a capital investment of approximately \$18 billion dollars. They require an annual operating and maintenance budget of approximately \$600 million dollars to provide utilities, real property maintenance and services. These Reserve component facilities range from the individual reserve center or armory in our towns and cities to regional equipment, maintenance and support facilities, and large installations. They are located in every state of the union, Puerto Rico, the Virgin Islands, Guam, American Samoa, and Washington, D.C. The installations and training sites are necessary to optimize training and subsequently prepare our Reserve forces for mobilization and deployment. These facilities are the constant reminder throughout the country of the presence and vigilance of the citizen-soldier, sailor, and airman. Their physical condition sends a daily message to the general public of our readiness and national resolve.

Our FY 1989 Reserve component military construction budget request is \$473 million dollars. We plan to spend approximately \$412 million for specified construction projects, \$15 million for unspecified minor construction projects and \$46 million for planning and design. Our request includes 249 construction projects and three land acquisitions. These projects cover construction of many types of facilities for the Reserve components, but the preponderance support the operations, training and maintenance of the force, its units and equipment. Within the 246 projects requested, approximately 150 are operations and training facilities such as armories, flight line facilities and firing ranges. There are 67 maintenance facilities ranging from hangars and avionics facilities to maintenance bays and regional maintenance complexes. The balance are support facilities. The projects range from alterations, additions and modernization of existing facilities, to completely new facilities and land acquisitions required as the Reserve components adjust installations to accommodate personnel structure and equipment. New installations being formed and supported in this budget are for the Air Force Reserve civil engineering squadron in Morgantown, WV and for conversion of F4's to F16's at Carswell AFB, TX as well as continuance of the buildup at Channel Islands ANG Base, CA for C-130's. The

projects requested with the exception of those for Carswell and Morgantown meet or exceed the congressional project design criteria with the majority being completed or much farther along in design than in previous submissions. Individual project accomplishments and status will be discussed by the concerned Reserve component representatives.

The following chart portrays the Reserve component five year funding profile. I have included the FY 1989 program you saw last year as well as the amended budget submission.

TABLE
Reserve Component
Military Construction Funding
(\$ Millions)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 89 ABS
ARNG	98.6	97.2	140.9	184.4	161.1	138.3
USAR	69.3	58.4	86.7	95.1	108.0	80.0
USNR	50.3	30.9	24.6	39.5	39.5	34.2
USMCR	10.5	8.8	19.9	34.2	17.4	14.2
ANG	111.2	115.3	148.9	151.3	137.0	147.5
AFR	<u>67.8</u>	<u>59.9</u>	<u>58.9</u>	<u>79.3</u>	<u>59.3</u>	<u>58.8</u>
TOTAL	407.7	370.5	479.9	583.9	522.3	473.0

I would like to point out that the percent of MILCON the Department is devoting to the Reserve components is on the rise. The FY 1989 Reserve component MILCON budget is 8.2 percent of the total DoD MILCON (less family housing) as compared to the original FY 1989 budget that was 7.5 percent.

The Department has published its handbook "Facility Planning and Design Guide" and we insure that the Reserve component projects having commonality comply with the established criteria and scope allowances. However, to ensure that the appropriate type and size facilities are provided for Reserve components we have issued broad policy guidance and delegated to the Services responsibility for writing construction criteria specifically tailored to meet the requirements of the National Guard and Reserve. These criteria are subject to review and approval by my office and to insure they adequately address specific policies set for items such as indoor ranges and equipment storage capacity.

I continue to follow a facilities management philosophy that we will repair and maintain what we own and need as our first priority. Our investment in new facilities must be determined by mission-associated requirements with training and equipment storage being in the forefront. New missions and new force structure must be facilitated up front and not imposed on our existing plant. Otherwise, we add to the Reserve component backlog which is already too high and at the \$6 billion dollar level. In following this philosophy, we monitor the Reserve component program as it is being built and in our Service budget reviews address the total facilities investment picture. This, coupled with an executability check, ensures projects are built in an efficient and timely manner. The Services develop their programs and prioritize their projects relative to need. Having monitored and reviewed the program as it is built, we can determine if the projects improve mission accomplishments, and permit effective training, thus ensuring a maximum contribution to a higher state of readiness per dollar invested.

Our advanced design policies as stated earlier led to 97 percent of the FY 1987 program being under construction in the first year. We were ready to award several more projects in the Air Force Reserve but general reductions to the budget caught up

with their program and though projects were ready to go, funds were not available to award the projects. Our goal is simply to execute one hundred percent of the program in the first year of authorization and appropriation. This will maximize the use of the authorized dollars and provide the reservists their needed facilities in the most timely manner. I would like to point out that when Congress adds projects that are not designed, a high degree of program turbulence is experienced and often funds are idle waiting completion of the design process. When a project is added, it should be funded for design only and subsequently funded for construction approximately one year later.

I appreciate this opportunity to present the Reserve component military construction budget request. Your support of Reserve component military construction programs has made a substantial contribution to the preparedness of our Reserve Forces.

Mr. Chairman, this concludes my statement and I stand ready to answer your question.

LACK OF SUPPORT FOR GUARD AND RESERVE PROGRAMS

Senator SASSER. Thank you, Mr. Rosamond. I want to thank you for your testimony this morning and indicate to you, sir, that the Office of Assistant Secretary of Defense, your parent organization, was created by Congress some years ago because the Congress felt the Guard and Reserve needed an advocate in the Department of Defense or else they were going to be shunted aside and continue to get what crumbs might fall from the table.

Recent experience indicates that, at least it has been my observation, as chairman of this subcommittee and as a member of the Defense Subcommittee, that the office has not been performing the advocacy role with the zeal, perhaps, that it should.

It was easy to provide the Guard and Reserve with expanding budgets in the early 1980's when the entire Defense budget was expanding, so the early 1980's are really not a fair barometer of the Department's support for the Guard and the Reserve.

The real test of an advocate comes when the crunch hits, and, gentlemen, the crunch is here and we are going to continue to feel this crunch for a number of years to come.

I don't feel that, Mr. Secretary, your office represented the Guard and Reserve as an advocate as vigorously in the fiscal year 1989 budget battles as perhaps you could.

Why is the budget before us today such a retreat from past advances as far as the Guard and the Reserve is concerned?

Mr. ROSAMOND. Mr. Chairman, what the Department did was provide a funding level. As you are well aware, the budget summit reduced the Defense budget by approximately \$33 billion. That total reduction was proportioned out to the services to balance their programs. The program they developed, we tried to support. We did not tell them which appropriations to put the money in. It was a general guidance to the services. In general terms there were some adjustments, but for the large part, especially in these accounts, my office supported whatever the services submitted. We did not get into a detailed review by project, with one exception.

TOOLS FOR SUPPORTING GUARD AND RESERVE FORCES

Senator SASSER. Mr. Rosamond, what new tools, new authority or new expressions from the Congress do you need to give the Assistant Secretary the ammunition that is required to better make the case for the Guard and Reserve as our future budgets are being put together?

In other words, rather than just having it cut and dried, handed to you, what can we do that will make you more effective in the inner councils of the Pentagon as these budgets are put together?

Mr. ROSAMOND. In response to that, Mr. Chairman, I feel comfortable with the tools that I have right now. I think one of my first tasks which I alluded to this in my opening remarks, was to establish credibility in the program. We have done that from the standpoint of execution. It is the only military construction program in the Department right now

that achieves OSD goal. I felt that is one of the key things we had to do right up front.

Second, we had to identify the backlog. I now have a standard report. I can talk to the backlog by projects. It gives me the information to present it in a systematic way in the debates within the building. That is what I intend to do.

CUTS IN GUARD AND RESERVE PROGRAMS

Senator SASSER. I know that the Department has been considering the levels in the 1990 and 1991 POM and that the 5-year defense plan is being developed. How well is the Guard and the Reserve fairing in this process? Are we looking at more cuts in the future as far as the Guard and Reserve is concerned?

Mr. ROSAMOND. With respect to the fiscal year 1990-94 POM, we have that under review and I have some concerns. My staff is working on that at this point in time. My position is to try to turn this program around.

Senator SASSER. You are going to try to turn this program around?

Mr. ROSAMOND. Yes; I share some of the same concerns you do. We are beginning to review the POM right now. Hopefully you will see an improved posture in the program.

Senator SASSER. That's good to hear. I want you to take back to your superiors, Mr. Secretary, that this subcommittee, at least the chairman of this subcommittee, places a high priority on modernizing the Guard and the Reserve, and we are not simply going to sit here and watch a continued erosion of budgetary resources for the Reserve components.

Now, I know that you are obligated to put the best face on what the Department has sent us, for fiscal year 1989, but we want to make a strong appeal to your office to do a better job in pushing the advocacy role for the Guard and the Reserve in the internal budget battles that are going on.

Get in there and mix it up with them and work it over, work them over as much as you can.

At this point, I will yield to our distinguished ranking member, Senator Specter.

SUPPORT OF STRONG ADVOCACY ROLE

Senator SPECTER. Thank you, Mr. Chairman. When the chairman speaks about the role of advocacy, I would join him in that. I realize—I think we all do—that you have a lot of constraints and there is a lot of competition within the Department of Defense with the reduction in the overall funding, but the advocacy role is one which is very important.

Having been a member of the Air Force Reserve myself, I consider the Reserve to be very, very important. I am not sure that my membership in the Air Force Reserve is in the past tense actually. I may still be a member of the Air Force Reserve. I had a 5-year commission which was changed to an indefinite commission. I am not quite sure how long indefinite is, but I may still be in the Reserve myself.

Senator SASSER. We better look into your retirement program here. [Laughter.]

Senator SPECTER. Mr. Secretary, that's the question I wanted to come to, my retirement program. [Laughter.]

STATE GOVERNORS' CONTROL OF NATIONAL GUARD

Mr. Secretary, let me shift gears for just a moment or two, on the subject of National Guard and the subject of controversy relating to potential Governors' control of National Guard, if there might be some difference of opinion between the Governor and the activation of a National Guard unit for a service, hypothetically, in a Central American country, where does that issue stand at the present time?

Mr. ROSAMOND. Senator, there is Congressman Montgomery's amendment that has been passed and we support that. The Department feels the Guard should train in various locations throughout the world, which they do. I think the area in concern is primarily Central America. However, it should be pointed out, as a matter of routine, the Guard trains throughout the world. I think that is our basic position.

Senator SPECTER. Has there been any specific objection raised by any Governor to a specific assignment given by the National Guard to a training locale?

Mr. ROSAMOND. There have been some, a few States.

Senator SPECTER. Give me an example, if you could?

Mr. ROSAMOND. I think the Governor of Ohio has raised some concerns.

Senator SPECTER. Did he raise a specific objection?

Mr. ROSAMOND. I am not familiar with that.

Senator SPECTER. Did he or any other Governor try to stop a National Guard order to train in a specific locale?

Mr. ROSAMOND. I am really not sure. I think there is some controversy from the Governor of Massachusetts.

Senator SPECTER. Would you provide for the subcommittee the specifics on any Governor who has either raised an objection, either general objection or specific objection to any specific training?

Mr. ROSAMOND. I would be delighted.

[The information follows:]

OBJECTIONS BY STATE GOVERNORS TO OVERSEAS TRAINING

No Governor has objected to the need for or concept of overseas training of the National Guard. Selected Governors, while permitting overseas training of their respective States National Guard, have objected to specific training—training in Central America, specifically Honduras.

The bases for objections to training in Central America is varied in texture and context. Objections have ranged from troop safety in a conflicted area to potential for undermining the civilian leadership of the countries concerned and from fundamental differences in the approach to foreign policy to giving the appearance of sabre rattling and using the National Guard to perform missions in Central America in a training status for which the Congress will not appropriate money for the active components to perform.

The Governors of Minnesota and Massachusetts have gone to court to challenge the constitutionality of the Montgomery amendment (10 U.S.C. 672F), enacted in 1986 to preclude Governors from blocking overseas deployments of the National Guard because of objection to place, type unit, dates of training or type of training.

The Minnesota challenge, joined in *Amicus Curiae* by Colorado, Hawaii, Maine, Massachusetts, Ohio, and Vermont, is currently in appeal. The law was held constitutional in the lower court. The Massachusetts challenge has not been decided to date.

The basis of the challenge in both cases is the premise that 10 U.S.C. 672(F) violates the letter and purpose of article I, section 8, clauses 15 and 16 of the Constitution. The Federal Government maintains (and was upheld in Minnesota) that 10 U.S.C. 672(F) does not violate the militia clause of the Constitution.

POSITION ON DEPLOYMENT OF GUARD

Senator SPECTER. It is your position and the position of the Department of Defense that the directive of the Department of Defense takes precedence over any Governor's wish?

Mr. ROSAMOND. I do not necessarily say that, Senator.

Senator SPECTER. What is your position on that?

Mr. ROSAMOND. We feel that the Department decides where to send our Guard troops to train. I believe that is what the Montgomery amendment provides for.

Senator SPECTER. So that it is your view that the Department of Defense can call the shot and it is not a matter for the discretion of the individual Governor?

Mr. ROSAMOND. I think that is—

Senator SASSER. If I may interrupt for just a moment. As the Senator may know, there is a case pending in the Federal court.

Senator SPECTER. The Minnesota issue?

Senator SASSER. On the Minnesota issue, which is a test case on the whole issue, as I understand it.

Senator SPECTER. Well, I would be interested to know what objections have been raised by other Governors, and we can find the position of the Department's authority and Statement of law from those briefs, but I would be interested to know the details on any other objection.

Mr. ROSAMOND. I am glad to provide that, sir.

Senator SPECTER. Thank you very much, Mr. Secretary, and thank you, Mr. Chairman.

Senator SASSER. Senator Reid?

Senator REID. I think I will wait for a while. I am just getting warmed up.

ARMY RESERVE

STATEMENT OF BRIG. GEN. ROSS G. PICKUS, DEPUTY CHIEF, ARMY RESERVE (IMA)

BUDGET PROGRAM

Senator SASSER. We will move now to the testimony of General McMerty and hear from our other witnesses. I am advised that we need to go first with General Pickus. Brigadier General Pickus, you may proceed.

General PICKUS. Mr. Chairman, I would like to submit a formal statement for the record.

I welcome this opportunity to present the Army Reserve's Military Construction Program for fiscal year 1989 and request the necessary appropriation for the execution of the program. The Army Reserve continues to make significant progress in readiness, personnel, training, logistics and preparation for mobilization, and we have seen an increase in Selected Reserve end strength of 93,000 Reservists in the last 7 years.

In today's environment of constrained resources, we may not be able to continue the steep upward ramp in end strength, but the Army Reserve will continue to provide the cost effective answer to the Army's need for combat support and combat service support. As the need to reduce operating costs grows even greater, we anticipate that the Army will place increased emphasis on the capabilities of the Army Reserve and assign additional missions to us. We stand ready to accept these new challenges and we ask for your continued support as we prepare to meet them.

TRAINING

Training continues to be the most important responsibility of the Army Reserve commanders at all levels. With the exception of the 2 weeks of annual active duty, training generally takes place at home station, the local Reserve center or a nearby training area.

While we cannot always quantify it, experience teaches us that the quality and adequacy of these facilities have a direct bearing on our ability to attract and retain quality soldiers.

It affects our ability to train them. It affects our ability to store and safeguard and maintain their equipment. In many locations we have

outgrown our facilities, which were built during an era in which the Army Reserve had very little equipment and very few full-time personnel.

FACILITIES

As a result, our construction backlog of \$1.6 billion continues to concern us. There are 421 functionally inadequate Army Reserve facilities, of which 143 need outright replacement; 98 require major additions or alterations; and 180 need complete rehabilitation and conversion. We realize that we cannot meet all of these needs everywhere and at once, and that some inefficiencies and crowding will continue.

The fiscal year 1989 request represents the priorities of the commander of U.S. Army Forces Command and the Chief, Army Reserve and, if approved, will improve our facilities posture. We believe that we have a well balanced program that will enable us to expand and modernize some of our facilities to meet the needs of today's Reservists and at an affordable cost.

Mr. Chairman, I am particularly pleased to inform this committee that we have successfully awarded a contract on 99 percent of all major construction projects authorized and funded by the Congress during the period of fiscal year 1982 through fiscal year 1987. We believe that this is a good record and we are very proud of it.

We anticipate similar success with the 35 projects approved for construction in fiscal year 1988. Our request for fiscal year 1989 is \$79.9 million, with which we proposed to execute 39 projects; all but two of these projects are at or above 65 percent design; most at 100 percent. Because our fiscal year 1989 program is in the advanced stages of design, we anticipate no difficulty in awarding all of the projects during the year in which they are programmed.

Mr. Chairman, this concludes my statement. I thank you for your continued support.

[The statement follows:]

PREPARED STATEMENT OF BRIG. GEN. ROSS G. PICKUS
DEPUTY CHIEF, ARMY RESERVE (IMA)

Mr. Chairman, members of the subcommittee:

I welcome this opportunity to present the Army Reserve's military construction program for fiscal year 1989 and to request the necessary appropriation for execution. On behalf of all members of the Army Reserve, I want to express appreciation for the support this committee has provided for our construction program.

Overall, the Army Reserve has made considerable progress in the areas of personnel, training, logistics, sustaining the force, and preparation for mobilization. Our program for fiscal year 1989 is designed to continue that progress and enable us to do our part in attaining an Army of excellence.

Army Reserve missions range from direct combat to combat service support. We provide units that are fully trained and capable of performing wartime missions immediately upon mobilization. We also provide pre-trained individual reinforcements. Our men and women are an integral part of today's Army and an ever increasing reliance is being placed upon them. Army Reserve units no longer deploy or employ after Active Component units. Instead, we go with them, and in some cases precede Active Component units into the situation that demands an Army presence.

The Army Reserve is a full proud partner in achieving Army goals world wide. Wherever the Army is training and making America's presence felt, the Army Reserve is there supporting the effort: REFORGER in Europe, BRIGHT STAR in the Middle East, BLAZING TRAILS in Central America and TEAM SPIRIT and ULCHI-FOCUS LENS in Korea are examples of this effort. The Army Reserve is serving alongside the soldiers of the Active Component and National Guard, supporting the American presence in areas where potential adversaries are attempting to expand their spheres of influence.

In today's environment of constrained resources, the Army Reserve provides a cost-effective answer to the Army's need for combat support and combat service support units. As the need to reduce operating costs grows greater, the Army will respond by placing increasing emphasis upon the ability of the Army Reserve to meet its operational needs. Innovation and increased productivity will be demanded from all levels of the Army, including the Reserve Components, if we are to meet the fiscal challenges of the next several years.

The Army Reserve is uniquely qualified by its very nature as an organization of dedicated and professionally competent citizen soldiers to meet those challenges. The Army Reserve must have the continued support of Congress if it is to be effective in fulfilling its mission. We recognize that in light of deficit reduction pressures, such support will be difficult to maintain during the next several years. However, we believe that the cost/effectiveness of the Reserve Components holds the key to maintaining Army readiness in the face of funding constraints. Moreover, because of the already constrained level of Army Reserve funding, any reductions could seriously degrade our ability to improve the support of the Army's needs today and upon mobilization.

CURRENT STATUS: Training continues to be a most important responsibility of Army Reserve commanders at all levels. With the exception of two weeks annual active duty, this training generally takes place at the individual's facility—that being the Reserve Center or a nearby local training area. While we cannot always quantify it, experience teaches us that the quality and adequacy of our facilities have a direct bearing on our ability to attract and retain quality soldiers; train them properly; and store, safeguard, and maintain their equipment.

Because of the decentralized nature of the Reserve Component, our construction requirements differ from those of the Active Component. We require a larger number of facilities that are generally smaller and more specialized than those of the Active Components. Our facilities must be located in or near the civilian communities in which our soldiers live. They must also be planned and constructed or expanded in areas of the country experiencing population growth as a result of migration trends away from the northeast and central states to the south and southwest. Unlike the Active Component, therefore, we do not bring recruits to large established bases; we follow the people and the talent in order to optimize recruitment and mission accomplishment.

There are now nearly 2,000 Army Reserve centers and maintenance facilities owned or leased by the Army Reserve. Most of our facilities were constructed during an era in which very little equipment was issued to the Army Reserve, and we had only one or two full-time personnel who worked at each Reserve center. As a result, the majority of the centers in our physical plant inventory do not have adequate space to support the storage and maintenance of equipment and for support of the additional full-time personnel now assigned to Reserve units. Our older facilities served us well at one time—but we have outgrown them. In some cases we have outlived them resulting in facilities viewed not as symbols of the Army's efficiency and viability, but as eyesores to the community. As a result, the backlog of identified construction requirements stands at 1.6 billion dollars.

We realize that we cannot build new facilities everywhere at one time and that some inefficiencies and crowding will occur as we continue our program to raise the equipment levels and full-time support for Reserve units. However, we must continue to improve our physical plant to the best of our ability because of the critical role our facilities play in the retention and training of the Reservist who serves to enhance the wartime readiness of the Army.

Each year as we work with the Commander, US Army Forces Command to develop and prioritize the five year construction program, we take into account the total requirement, that is, the requirement to support adequately units that exist today as well as requirements to support those units that will be activated in the future. As specific projects are developed, we work with the units involved and the construction planners to ensure we design and construct facilities that meet the needs of the units involved and have some built in flexibility to accommodate change and future expansion.

I believe that we have a viable construction program that will enable us to expand and modernize the US Army Reserve physical plant to accommodate, and get maximum utility from, programmed increases in equipment and full-time personnel.

CURRENT YEAR PROGRAM: Our execution of the MCAR program continues to be outstanding. During the period 1980 through 1987, contracts

were successfully awarded on 99% of projects authorized. The Fiscal Year 1988 appropriation provided for 22 major construction projects, and we expect to execute all during the year despite delayed appropriations.

MILITARY CONSTRUCTION, ARMY RESERVE

FY 89 REQUEST: The amended appropriation requested for Fiscal Year 1989 is \$79.9 million, 28.1 million less than that requested in our biennial budget submitted last year. The Army Reserve construction program, as you see, is not exempt from the need to trim budgets Army-wide in this era of constrained resources. We recognize the necessity of this decrement as clearly as we recognize its adverse impacts. The past 7 years have seen an increase in Army Reserve force structure of 93,893 soldiers and 8,436 full-time support personnel. In the past 3 years we have experienced 1,791 unit activations and conversions.

The need for adequate facilities to accommodate these force structure actions is obvious and the 1.6 billion dollar construction backlog alluded to earlier becomes increasingly ominous. We would like to believe that our ability to correct obsolescence, provide adequate storage space, modernize our physical plant, build maintenance shops, and replace functionally inadequate facilities with mission-enhancing ones will not be eroded. Unfortunately, 421 of our present facilities are inadequate; 180 must be completely rehabilitated and converted; 98 need major additions and/or alterations; and 143 require outright replacement. These facilities send negative messages to the community, hurt retention, lessen pride, weaken training, and degrade readiness.

If present forecasts of funding trends are accurate, it is likely that a new Reservist will enter a unit, serve for 20 or 30 years, and never see a significant facility improvement. We are committed to doing everything possible to avoid such a prospect. The fiscal year 1989 program will help, and deserves your full support.

The amended request will provide \$67.5 million for major construction, \$1.7 million for unspecified minor construction, and \$10.7 million for planning and design.

We are proposing 28 major construction projects and three land acquisitions. Two projects are in Puerto Rico and the others are located in 19 different states. More specifically, the request provides for the construction of:

- o Three new Army Reserve Centers.
- o Sixteen Reserve Centers will be expanded or altered.
- o Four Armed Forces Reserve Centers; two with the Navy and two with the Army National Guard.
- o Two new Regional Training Sites; one for medical and the other for maintenance training.
- o One Local Training Area.
- o One Organizational Maintenance Shop.
- o One Equipment Concentration Site.
- o Three land acquisitions.

The projects were selected and ranked based on need, the mission of units supported, troop activation schedules, and the general contribution of each project to the readiness of the Army Reserve. All except 2 projects are at or above 65 percent design, and we envision no difficulty in the award of all projects during FY 1989.

Our request also includes 8 other construction projects that cost less than \$400,000. Although smaller in scope, these projects are essential to our efforts to renovate and modernize our physical plant and to purchase land on which future construction will occur. The unspecified minor construction program will provide for emergent requirements that cost less than \$400,000. Planning and design funds will provide for the design of projects in the backlog that are to be addressed in future appropriation requests.

CONCLUSION: Mr. Chairman, this concludes my statement. The committee's continuing interest in and support of the construction requirements of the Army Reserve are greatly appreciated. Thank you.

ARMY NATIONAL GUARD

STATEMENT OF BRIG. GEN. WILLIAM A. NAVAS, JR., DEPUTY DIRECTOR, ARMY NATIONAL GUARD

AMENDED BUDGET SUBMISSION

Senator SASSER. We will turn now to General Navas.

General NAVAS. Mr. Chairman, members of the committee, I welcome the opportunity to appear before this subcommittee and present the Army National Guard Construction Program for fiscal year 1989. I shall make my comments brief and request that my prepared statement be entered into the record.

This program is an amended budget submission from the program request presented last year for fiscal years 1988 and 1989.

READINESS

Today we continue to improve our readiness so that we might effectively respond when needed, fight if necessary and win decisively. Our country's Modern Minuteman, National Guardsmen, are better trained and equipped so that today's Guard is no longer a force in reserve, but an Army on call. Limited resourcing, however, will severely strain our ability to adequately prepare our soldiers for mobilization. In recent years the task of maintaining preparedness has been made even more demanding by the addition of new missions. Sustaining preparedness and supporting these additional missions are complicated by reductions in program resources needed to support them.

Our efforts to improve readiness during peace time face their greatest challenge ever. The pillars of our success are the people, the modern equipment, and the facilities required to perform assigned missions and functions.

The amended military construction program of \$138.3 million is \$22.8 million less than the biannual request submitted last year. This amended request provides \$120.8 million for major construction, \$6.9 million for minor and \$10.6 million for planning and design. Of the 140 projects initially requested, 28 major and 33 minor projects totaling \$46 million were deferred or canceled.

Planning and design funds were reduced by \$5 million. Most of the projects deferred were selected because of problems that could potentially preclude award during the fiscal year.

FACILITIES CONSTRUCTION

Many of our armories and support facilities are old and outdated or in the wrong location due to changing demographics and must be replaced or modernized. We need facilities for new force structure in areas where none existed before. We need facilities to train our soldiers in skills that they will need in the modern battlefield. The Department of the Army distributed equipment worth over \$2 billion to the Guard in fiscal year 1987, to include 10 new major systems. Continued delivery of force modernization equipment has resulted in greatly improved equipment on hand readiness. Maintenance facilities must be modernized or acquired to support this influx. Working conditions are being improved to ensure OSHA requirements are satisfied.

Our request provides projects to upgrade or replace 13 of the various type of maintenance facilities.

In conclusion, my purpose has been to explain the very important role that facilities play in overall mission readiness of the Guard. I hope to have conveyed that our modest construction request this fiscal year has been designed to address the basic requirements in all of the areas. Let me assure you that each and every project requested this year serves a vital part in our initiatives for maintaining combat-ready units.

Mr. Chairman, this concludes my prepared statement. I appreciate the opportunity you and your committee have afforded me to speak on behalf of the 448,000 Guardsmen worldwide and I wish to express our appreciation for the support and assistance provided to the National Guard in meeting our most critical facilities challenges.

If there are any questions I would be pleased to furnish the information you require. With me today is Mr. Fred Aron, the technical expert in the National Guard Bureau who has been providing details to this committee for many years.

Thank you, sir.

[The statement follows:]

PREPARED STATEMENT OF BRIG. GEN. WILLIAM A. NAVAS, JR.

DEPUTY DIRECTOR, ARMY NATIONAL GUARD

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

INTRODUCTION

I welcome the opportunity to appear before this Subcommittee and present the Army National Guard Military Construction Program for Fiscal Year 1989. This program is an amended budget submission from the program request presented last year for Fiscal Years 1988 and 1989. I shall point out the major adjustments made to our program request from the initial program at appropriate times during this statement.

Throughout our history the citizen soldier has been essential to the security and preservation of our nation's liberty. Colonial minutemen lived with the reality that they might have to leave the peace and tranquility of their homes for the battlefield with little or no training and only their personal weapons. By contrast, our country's modern minutemen - National Guardsmen - are better trained and equipped - today's Guard is no longer a force in reserve but an "Army on Call."

Today, we continue to improve our readiness so that we might effectively respond when needed, fight, if necessary, and win decisively. Limited resourcing, however, will severely strain our ability to adequately prepare our soldiers for both partial and full mobilization.

In recent years, the task of maintaining optimum preparedness has been made even more demanding by the addition of new missions from the active component. Sustaining preparedness and supporting these additional missions are complicated by reductions in program resources needed to support those missions, including the acquisition and modernization of training and supporting facilities. Our efforts to improve readiness during peacetime face their greatest challenge ever: to provide meaningful, realistic training that makes optimum use of time, personnel, and equipment available. The fundamental pillars to the success of our efforts are the people of the Guard, the modern equipment and the facilities required to perform assigned missions and functions. Inadequacies in any of the three areas will substantially detract from meeting our challenge.

AMENDED BUDGET SUBMISSION IMPACT

The amended military construction program submitted in support of the Army National Guard of \$138.3 million is \$22.8 million less than the biennial budget request submitted last year. This reduction reflects the constraints placed on all military capital investment programs. This amended request would provide \$120.8 million for major construction, \$6.9 million for unspecified minor construction and \$10.6 million for planning and design. This amended funding level presented an unattainable situation whereby all of the projects initially requested can not be accommodated. The amended request includes adjustments in cost estimates for several projects reflecting cost growth based on current conditions.

The total program adjustment made in the amended budget request reflects greater impacts on the design and construction efforts than to only satisfy the reduced funding level. Of the 140 projects initially requested, 28 major and 33 minor construction projects, totalling \$46 million, were deferred or cancelled and planning and design funds were reduced by \$5 million to \$10.6 million. Most of the projects deferred were selected because of problems that could, potentially, preclude award during the program fiscal year. Such problems encountered included projects where designs had not

progressed sufficiently that may delay construction award or had significant cost growth that could not be financed from savings incurred during program execution. Other problems that caused projects to be deferred were ongoing environmental studies that may not be completed during the program year and planned changes in site location which would require redesign effort. Two requests were cancelled because the projects were added to the Fiscal Year 1988 Military Construction, Army National Guard program. A complete listing of these projects is provided as an audit trail in our amended budget justification data submission.

MILITARY CONSTRUCTION PROGRAM REQUEST FOR FY 1989

In FY 1987, the Army National Guard (ARNG) experienced many changes in its force structure. Numerous conversions to the Army of Excellence or AOE design occurred to meet Total Army requirements. These conversions have changed unit structures and troop strengths, increased individual and unit equipment levels, and in some cases significantly changed the types of combat equipment assigned to a unit. Coupled with these physical changes, the need for combat readiness has intensified training conducted at the home station armories and at the training sites.

FORCE STRUCTURE CHANGES

Several significant changes are occurring in the Tables of Organization and Equipment (TOE) of units converting to the new Army of Excellence (AOE) Infantry Division design (J-Series). Not only is the basic battalion structure altered, but organic unit troop strengths have changed dramatically. The trend is toward standardization of maneuver unit designs, increased firepower in Division Artillery (DIVARTY), an overall reduction of service support functions in maneuver units, and a consolidation of those functions in larger combat service support units. Eighteen of the 30 armory projects requested this year can be attributed to AOE unit conversions and seven more armory projects support the reactivation of the 29th Infantry Division (Light) and the 35th Infantry Division (Mech). The remaining five projects are requested to replace totally inadequate armories or to consolidate units from several inadequate facilities into only one new armory.

Force structure actions in FY 1987 concentrated heavily on aviation force modernization. The conversion of aviation units to Army of Excellence (AOE) design is in process and the conversion of divisional aviation units is complete. Corps and Theater aviation unit conversions are to be completed this year. Five attack helicopter battalions and four combat aviation battalions were organized. The new organizational structure will require alteration, expansion or replacement of existing or new armories such as the new armory requested at Houston, Texas, to support the 149th Attack Helicopter Battalion. The aviation support facility and organizational maintenance shop to support that unit are also part of this year's program request. Other aviation related armory projects include a replacement armory for the 435th General Support Aviation Company, Salina, Kansas and a new armory for aviation units of the District of Columbia Army National Guard. In addition, different mixes of aircraft including the UH60 "Blackhawk" and C-12 (fixed wing) are being assigned to some of these units. Operating and maintenance facilities for the assigned aircraft will be discussed later.

Other impacts on our aviation facilities are being caused by new technologies and the training doctrines to employ these technologies. One example is the stringent ambient conditions required during the training using night vision goggles. All of our aviators must become proficient with their use. This training must be accomplished at night and under "no artificial" light conditions. Most of our aviation facilities are collocated at civil or military airfields having nearby populated areas. Training is severely curtailed over these areas because of the aircraft noise generated during the low level night flying and because of the high level of ambient light coming from the airfield and urban areas preclude the use of the goggles. We must develop new remote training sites for this purpose and our first such facility is planned for a forested area at Warren Grove, New Jersey at a cost of about \$1 million. The planned facility will be austere and includes only a 2000 ft

paved runway, an aircraft refueling point and an emergency vehicle building which will also serve as the operations building during the training sessions. The training programed for this facility will be invaluable to aircrafs from all components in New Jersey, Delaware and the surrounding region. If this training facility is as successful as we anticipate additional sites will be developed outside of other built up areas. Our planning to develop new or replacement aviation support facilities must also consider the night flying training requirements in the selection of facility sites. Access to unpopulated areas for low level night training should be as unconstrained as possible to permit the conduct of this type of training without the need for a secondary training site with some duplicative facilities.

TRAINING OF THE GUARD

Programs to modernize the Army National Guard training capabilities involves four major initiatives including range modernization, regional centers of expertise, use of simulators and devices and the year round cycling of troops through our training sites. Each of these initiatives are dependent on new facilities.

RANGE MODERNIZATION

The range modernization initiative is being executed with the Army developing the range concepts and procuring the automated target systems. The Army National Guard range program incorporates the various range concepts and target systems into the 7 range projects requested for our training sites as a means to standardize the type and quality of training. These systems are more complex than the older ranges we are most familiar with; but through the use of the automated targeting and scoring systems, we can train more troops in less time with quality in weapons marksmanship. In addition, two special device ranges are requested for training small units in simulated or live-fire combat conditions in built up or urban environments.

REGIONAL TRAINING CENTERS

There are training shortfalls in Reserve Component maintenance units as recognized by studies conducted by the Logistics Management Institute and the Industrial College of the Armed Forces, as well as in the Department of the Army Management Action Plan. A coordinated Army program has been developed to establish Regional Training Sites-Maintenance (RTS-MAINT) to provide maintenance skill transition and sustainment training. The Reserve Component maintenance companies when deployed will be capable of supporting current and foreign modernization systems. The Army National Guard is the proponent for thirteen RTS-MAINT sites. Acquisition has been authorized for the first seven facilities at Camp Roberts (CA), Camp Blanding (FL), Fort Bragg (NC), Camp Shelby (MS), Fort Dix (NJ), Fort Custer Armed Forces Training Center (MI) and Camp Dodge (IA). Construction is requested for the Camp Ripley (MN), and Cowen Field (ID), in FY 1989.

PERMANENT TRAINING SITE FACILITIES

To sustain year round training at our training sites, permanent cantonment facilities, such as troop barracks, dining and support buildings, must be available to supplement or replace the World War II wooded buildings and the hutments, tent platforms and unheated facilities currently available at most of our training sites. This year's program contains requests for troop facilities at Camp O'Neill, Connecticut; Camp Blanding, Florida; Camp Atterbury, Indiana; Camp Ripley, Minnesota; Milan Arsenal, Tennessee; and Camp Dawson, West Virginia. Our plan is to develop our major training sites in order to be able to conduct battalion level training sessions any time during the year. At the larger training sites such as Camp Ripley (MN), Camp Grayling (MI), and Camp Williams (UT), multiple battalion sized units will be training during the same periods.

MILITARY ACADEMIES

Demands to fill officer and noncommissioned officer (NCO) positions created by the expansion in combat force structure and by normal replacement requirements and the need to improve leadership skills through advanced training are creating needs for military academy facilities. In the past,

this training was accomplished using existing training site facilities. With the increased tempo in training and greater demands for skilled leaders, more efficient training operations are recognized as one means to develop and maintain the command and leadership skills necessary to achieve the preparedness levels required in today's Army Guard. The most cost-effective solution to this problem is to provide dedicated academies, with barracks, dining halls, classrooms and administrative support facilities, to promote the required classroom and field training environments. Specialized or advanced leadership classes can be conducted at these facilities when the primary classes are not in session. This year's request provides for such facilities in Arizona and South Carolina.

EQUIPMENT MAINTENANCE

The Department of the Army distributed equipment worth over \$2 billion to the Army National Guard in FY 1987. This included such major systems as M60A3 Tank, Bradley Fighting Vehicles (BFV), Improved TOW Vehicles (ITV), M198 Howitzer, Battery Computer Systems (BCS), Chaparral and Hawk air defense artillery systems, Heavy Expanded Mobility Tactical Trucks (HEMTT), M923 5 Ton Cargo Truck, and High Mobility Multi-Purpose Wheeled Vehicles (HMMWV).

In addition to follow-on deliveries of the above mentioned major systems, FY 1988 and/or FY 1989 distribution will include the M1 Abrams Tank and Firefinder radar. Continued delivery of force modernization equipment, in conjunction with an aggressive redistribution program within the Army Guard structure has resulted in greatly improved equipment-on-hand readiness in the Army Guard. The percentage of units reporting minimum deployable status or better for equipment-on-hand increased from 52 percent in FY 1985 to 80 percent in July 1987.

Maintenance facilities must be modernized or acquired to support this influx of equipment. The working conditions are being expanded and improved to ensure OSHA requirements are satisfied. New maintenance facilities will have larger workhays to accommodate the larger and heavier combat equipment and the much needed supply storage space and equipment parking areas. The category of facilities involved include Organization Maintenance Shops (OMS), Unit Training Equipment Shops (UTES), Mobilization And Training Equipment sites (MATES) and the Combined Support Maintenance Shops (CSMS). The last two types of maintenance facilities provide the direct and general support on a state-wide or regional basis. Our request provides projects to upgrade or replace 13 of the various types of maintenance facilities.

AIRCRAFT SUPPORT FACILITIES

New or expanded aviation support facilities, with adequate maintenance hangers and allied shops, are required to support the aircraft assigned to new units and for the increased numbers and mix of assigned aircraft. Such facilities are requested for Boone, Iowa; Albany, New York; Houston, Texas; Parkersburg, West Virginia and Anchorage, Alaska. The Anchorage project in this amended budget request reflects a significant increase to the cost estimate from the initial submission. The initial estimate was made with insufficient design information and was thus underestimated. Our current estimate of \$7.5 million is based on more complete designs developed by the Corps of Engineers. The scope of this project includes alterations and expansion of the existing maintenance hangar and allied shops to handle a wide mix of both fixed wing and rotary wing aircraft, improvements and expansion to the flight operations administrative areas, and improvements to and extending the aircraft parking aprons and taxiways. Also, a new hangar building will be constructed to shelter the large CH54 "Flying Crane" aircraft and its replacement aircraft from the high winds, ice and snow common to that area.

CONCLUSION

Mr. Chairman, my purpose has been to explain this committee that facilities play very important roles in the overall mission readiness of the Army National Guard. Our estimated construction backlog by the end of Fiscal Year 1988 stands at \$2.66 billion and continues to grow. Many of our armories

and support facilities are old, outdated or in the wrong location and must be replaced or modernized. We need new facilities for new force structure in areas where none existed before. We need new facilities to train our troops in skills they will need on the battlefield. I hope to have conveyed that our modest construction request this fiscal year has been designed to address requirements in all of these areas.

This concludes my prepared statement. I appreciate the opportunity you and your committee have afforded me to speak in behalf of the 448,000 Guardsmen and women worldwide and I would be pleased to entertain any questions you may have. Thank you.

AIR NATIONAL GUARD

STATEMENT OF BRIG. GEN. JOHN G. McMERTY, DEPUTY CHIEF, AIR NATIONAL GUARD

SUCCESS IN OVERALL AIR FORCE MISSION

Senator SASSER. General McMerty.

General McMERTY. Mr. Chairman, members of the committee, it is my pleasure to appear before you with the Air National Guard Military Construction Program request for fiscal year 1989. We will submit our statement for the record, sir, and I want to thank you for your positive assertion of your support for the National Guard in your opening statement.

Again this year the Air National Guard has enjoyed considerable success in performing our share of the total Air Force mission. We appreciate the support the National Guard has always received from this committee. Your help has enabled us to do our job as part of the U.S. Air Force team. The request we submit to you this year supports our highest priorities for new mission and current mission construction. I would like the committee to know that Maj. Gen. Judd Ellis and his staff worked diligently again this year to ensure the needs of the Air National Guard were supported in developing the Air Force budget.

The Air Guard got its fair share of resources available. The dollars available to the Air Force this year were limited and many issues were contested as all interests competed within our system. Throughout it all, Major General Ellis and his staff supported us when we needed them to do so.

MISSION FACILITY FUNDING

However, we have a problem with current mission facility funding. Senator Reid highlighted that point relative to the Nevada Air National Guard unit at Reno, which has not received the support they need largely because their mission has not changed in recent years.

Our commitment to new weapon systems, new missions and mission growth requirements has resulted in a limited capability to support an existing physical plant having a replacement cost of \$9.1 billion.

Our inability to address these current mission requirements will result in a \$908.6 million backlog of validated, unfunded projects after completion of the proposed fiscal year 1989 program.

We will need your help to keep pace with the replacement and modernization requirements of our aging physical plant.

Mr. Chairman, we look forward to working with you and the members of this committee to continue to improve the capability of the Air National Guard as a part of the total Air Force team.

[The statement follows:]

PREPARED STATEMENT OF BRIG. GEN. JOHN G. McMERTY
DEPUTY CHIEF, AIR NATIONAL GUARD

Mr. Chairman and members of the committee, it is my pleasure to appear before you with the Air National Guard Military Construction Program request for fiscal year 1989. The facility requirements in this request are essential to support our conversions to more modern weapons systems, and to support our growth in new and expanding missions. The unique operational, maintenance, and training facilities in the request are a critical element in achieving and maintaining the high combat readiness of the Air National Guard.

The Air National Guard is able to make a significant contribution to the Total Force defense of the nation through the strong support we receive from the Department of the Air Force, the Department of Defense, and the Congress. We currently provide a significant portion of the Air Force alert and support missions and will provide more of the Air Force combat capability as we continue to grow and modernize our forces. We are able to accomplish this in a cost effective manner through our traditional Guardsman part-time force, supported by a small full-time workforce.

By the close of fiscal year 1989, the Air Guard will possess 86 percent of the total Air Force Defense Interceptor Forces; 50 percent of the Tactical Reconnaissance Forces; 36 percent of the Theater Airlift Forces; 26 percent of the Tactical Fighter Forces; 17 percent of the Aerial Refueling Forces; and 36 percent of the Tactical Air Support Mission. We also make an important contribution in the Strategic Airlift, Rescue and Recovery, and Special Operations missions. In addition, our mission support units will provide 70 percent of the Aircraft Control and Warning Forces; 67 percent of the Combat Communications Forces; 68 percent of the Engineering and Installation Forces; 24 percent of the Civil Engineering Forces; and 54 percent of the Tactical Weapons Control Forces.

Our continued modernization and growth is reflected in our facility construction requirements for new weapons systems, including the F-15, F-16, C-5 and C-141 aircraft, the expansion and series changes for our C-130 aircraft units, expanded missions, unit relocations, and readiness initiatives. These requirements constitute 76 percent of the fiscal year 1989 request.

The \$147.5 million fiscal year 1989 request provides for \$132.6 million in major construction, \$2.3 million in unspecified minor construction, and \$12.6 million for planning and design. The total request for FY 89 is \$13.3 million less than requested in FY 88, and \$3.8 million less than the FY 88 appropriation. The major construction portion of the FY 89 program includes \$100.3 million for facility requirements for force growth and modernization, and \$4.8 million for projects deferred from fiscal years 1985 and 1986. The remaining \$27.5 million will be used to replace and upgrade

antiquated facilities and utility systems. This is what we call "current mission".

Our commitment to new weapons systems, new missions, and mission growth requirements has resulted a limited capability to support an existing physical plant having a replacement cost of \$9.1 billion. In addition, our FY 89 current mission construction program has been reduced to a few of the most critically essential projects. Our ability to address these current mission requirements will result in a \$908.6 million backlog of validated, unfunded projects after completion of the proposed FY 89 program. This backlog will continue to grow primarily because we are unable to keep pace with the replacement and modernization requirements of an aging physical plant.

The fiscal year 1987 major construction program was the most successful in Air National Guard history. We achieved a 100.0 execution rate, one of the highest levels in the Department of Defense.

We expect the fiscal year 1988 program to reach this same level of success.

We ask your support for our fiscal year 1989 Military Construction Program request. These construction projects are absolutely essential for the Air National Guard to reach and maintain its wartime capabilities as part of the Total Force.

Any reduction in the request will seriously impact our ability to accept new missions and new weapons systems delivery, and will adversely affect the combat readiness of the Air National Guard.

Mr. Chairman, this concludes my statement on behalf of the Air National Guard's fiscal year 1989 Military Construction request. This committee's continued interest and support is sincerely appreciated.

AIR FORCE RESERVE

STATEMENT OF BRIG. GEN. SHIRLEY M. CARPENTER, DEPUTY CHIEF, AIR FORCE RESERVE

AMENDED BUDGET

Senator SASSER. We will turn now to Brigadier General Carpenter, who will speak on behalf of the Air Force Reserve.

General CARPENTER. Mr. Chairman, it is a real pleasure to be here this morning to represent the Air Force Reserve, and give you our amended fiscal year 1989 Milcon budget request.

I appreciate the opening warm comments and the past support of this committee. Senator Specter, I will certainly go back and check on your Reserve status. We always like to know that we have good men out there like you. I also would like to say we are very proud of our C-130 unit at Pittsburgh and also our C-130-E unit at Willow Grove. They are both doing a fantastic job.

Now, I will just take a few moments and would like to leave two main points with this subcommittee, if I could. We continue our modernization program in the Air Force Reserve with F-16's and C-5's coming into the program, but I do have a couple of concerns I would like to leave with you.

The Air Force Reserve, we have ourselves into a cross-year funding situation that started back in fiscal year 1986 with the Gramm-Rudman reductions and, on top of that, we had some general reductions and we inflicted some pain on ourselves through some reductions to meet the budget constraints.

We got ourselves into a situation in fiscal year 1987 that when I was over here I testified before this committee that I did not feel we would be able to execute our fiscal year 1987 program with the money that was authorized and appropriated. Unfortunately my prediction was correct, but there is good news there and bad news.

The good news is we had the highest execution rate in the history of the Air Force Reserve at 86 percent and, as you will recall, that was a difficult year for us because we had several accelerated conversions. It was not an easy year, so 86 percent was a good mark.

PROBLEMS WITH C-5 CONVERSION

The bad news is that after executing 18 of 21 projects, we got down to the last 3, which were key to our C-5 conversion up at Westover, we just ran out of money. We had to hold those three projects and wait for the fiscal year 1988 budget in February before we could put them back

on the street. That hurt us, not only in time, but it hurt us in money. That left us going into the 1988 year with a \$4.3 million deficit.

So far in fiscal year 1988 we have 10 bids in, 2 open and 17 on the street. It seems to us if we read the cards at this point that if we don't do something, again we are going to end up with cross-year funding, waiting for fiscal year 1989 money for fiscal year 1988 projects, and we project that we will go in, if we do nothing managementwise, into fiscal year 1989 with about an \$8 million deficit.

Now, I have often said that is not the way I handle my checkbook and I don't think that is the way we should run the Air Force Reserve Construction Program, so with the approval of Congress, we are going to ask for the cancellation of at least one project, perhaps two, to try to get back to where we can fund current year projects with the current year money. That is my first point of concern I would like to leave with you.

Looking at fiscal year 1989, our request is \$58.8 million, \$49.7 million for major construction, \$2.9 million for unspecified minor construction and \$6.2 million for planning and design.

DESIGN ON 1989 PROJECTS

So far the design on these fiscal year 1989 projects is progressing very well. However, we do have six projects, as we had the last couple of years, that do not meet your 35 percent design requirement. This is because of an accelerated F-16 conversion at Carswell and a civil engineering training facility at Morgantown, WV, which we moved up from fiscal year 1990 to fiscal year 1989. But the upbeat there in fiscal year 1989 is that we are getting our current mission money up to a level where we should have it. Forty-eight percent of our fiscal year 1989 major construction dollars will go toward new missions or conversions. For the first time over the last several years we have as much as 52 percent going to current missions. For the last 3 years we have been somewhere around 6 percent, 11 percent, 25 percent respectively for current mission.

That is my second point, of course, that my Guard friend here has just articulated. We are very interested in building a baseline for our current mission. Historically with the conversions, especially the accelerated conversions, we have always dipped into our current mission money to finance the new missions. And, again, that is not the way to do business.

We had the support of the Air Force this year to try and establish that baseline. I am not saying we got as much money as we asked for because we had some tough budget constraints, but the good news is we did get a baseline established. Defense guidance says we should have about a 50-year renewal cycle, and we shot for that. We didn't get that much, but we had it down to about a 110-year renewal cycle which, I must say, is better than the active force at this point, but we would like to get a higher funded baseline established and we will keep pushing for that baseline to get back to that 50-year renewal cycle.

Sir, that is about all of my comments. I just would like to thank the committee again for your support. We feel it is very important to support our program this year because, if not, it will exacerbate our problems that I have just articulated to you. You can be sure that if and when the whistle blows the Air Force Reserve will be ready.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF BRIG. GEN. SHIRLEY M. CARPENTER
DEPUTY CHIEF, AIR FORCE RESERVE

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

INTRODUCTION

Thank you for this opportunity to appear before this Subcommittee and present the Air Force Reserve's amended biennial Military Construction Program budget for Fiscal Year (FY) 1989 and to request the necessary authorization and appropriation for program execution. On behalf of all members of the Air Force Reserve, I wish to express appreciation for the support this committee has provided for our past construction programs.

The recent signing, and anticipated Senate ratification, of the Intermediate Nuclear Forces Treaty signals the beginning of an age that may reduce the nuclear threat while enhancing the need to counter a conventional threat. This presents an increased challenge for the combat capability of our Nation's conventional forces; forces we are striving to man, equip, and train in an environment of severe budget reductions.

This year, we plan to continue the modernization of our force with state-of-the art equipment. Our construction program is necessary to support that modernization and sustain our high state of combat readiness. I would like to take a moment to share with you the status of our force, the progress we have made the past year and the challenges that lay ahead.

PERSONNEL AND MOBILIZATION

The Air Force Reserve attained an end-strength of 80,415 in FY 1987, the tenth consecutive year we have met or exceeded the programmed end-strength. Similar progress is reflected in our facility requirements as we continue programmed modernization to unit-equipped F-16s, C-141s and C-5s. Our expanded capabilities and newly acquired equipment will enable the Air Force Reserve to make a greater contribution to Total Force combat capability. Our units remain combat ready, well-trained, capable of being mobilized in 24 hours and deployed within 72 hours. The strength of our effectiveness as a component in the Total Force continues to be productive partnership with the active force, quality personnel, substantive missions, and modern equipment.

The end-strength of the Air Force Reserve almost doubled between Fiscal Years 1973 and 1987, substantially increasing our combat capability; however, over the past few years that rate of growth has not continued. While the Reserve will grow by 1,200 end-strength, the FY 1989 cuts are taking the form of a net reduction in total Department of Defense (DOD) end-

strength. As we draw down forces during this period of reduced growth in defense spending, we remain committed to a rational reasoned Total Force structure, employing the most efficient force mix, one that maximizes the Total Force combat capability.

To meet this challenge, the strongest defense for the dollar, we must first continue to attract and retain people who demonstrate pride in their performance and are motivated to provide the strongest, most combat ready Air Force Reserve possible.

PROGRAM CHANGES

Equipment Modernization

Systems modernization coupled with the experience of our personnel equate to the traditional level of excellence of Air Force Reserve combat readiness. Therefore, one of our primary goals is to sustain this combat readiness capability by providing our flying units with some of the most state-of-the-art aircraft in America's arsenal.

Consequently, we continue to upgrade our tactical fighter force during FY 1988 with our second F-16 unit reaching its full complement of 24 production line F-16C/Ds. Congress has been instrumental in obtaining production line models of the F-16. However, budget constraints and delay in deactivating the 474th Tactical Fighter Wing (TFW) at Nellis AFB, Nevada, are slowing the previously announced modernization of the Air Force Reserve fighter force. Three F-4 units previously announced for modernization to F-16A/B in FY 1988 and FY 1989 will now convert in FY 1989 and early FY 1990.

The remaining Reserve F-4 units are scheduled to convert to F-16s in the early 1990s. This modernization effort must survive the current trend of reductions in defense spending. Any further cutbacks in planned F-16 procurement levels will force our aging F-4D/Es to longer service, seriously affecting our war fighting capability.

We request your support for modifications of weapons systems including the F-16(A/B)s. These modifications will ensure that all of our weapon systems remain viable through out their lifetime.

The foresight of Congressional members in ensuring these conversions has paid handsome dividends. In terms of combat capability our success with the new fighters has been extraordinary. GUNSMOKE is a highly intense, world-wide fighter gunnery competition of the very best in the active force, Guard, and Reserve. For the second consecutive biennial, our F-16 fighter unit at Hill AFB, Utah produced first place trophies. This year Major Danny Hamilton took the honors as the best Air Force fighter pilot in the world! Along with the first, second, and fifth places in the top gun competition the Hill unit finished second among 18 fighter wings in the race for overall honors!

In the area of combat rescue, the Air Force Reserve

currently is operating 19 HH-3s and 5 HH-1s. These helicopters are getting old, and are rapidly becoming unsupportable. Therefore, it is imperative that the MH-60G procurement remain on track. Any reduction in this program will delay the replacement of older HH-3s and will abdicate the effectiveness of experienced crews and support personnel.

Our rescue aircrews, pararescuemen, and support personnel received some of the most impressive awards in the annual International Search and Rescue Exercise (SAREX Competition). A Reserve team (comprised of members from both the 301st Aerospace, Rescue and Recovery Squadron (ARRS), Homestead AFB, FL and the 304th ARRS, Portland, Oregon) claimed the best overall SAREX Award while members of the Rescue, Weather and Reconnaissance Wing at Keesler AFB, Mississippi, were the best overall in parachuting accuracy and parajump.

Due to a Congressional add of C-130H aircraft in the FY 1988 budget, the Air Force Reserve will retire its last C-130A tactical airlifters in FY 1989 -- and not a moment too soon. Therefore, the only C-130As remaining in the Air Force Reserve after FY 1989 are the antiquated gunships at Duke Field, Florida.

The addition of eight new C-130H aircraft for our Milwaukee unit greatly enhances the combat capability of our airlift fleet while lowering overall operations cost. We appreciate Congress' foresight in funding these aircraft, and anticipated many years of reliable service from them. We have validated your confidence in the ability of our airlift units by flying production line C-130Hs in the annual Airlift Rodeo, a world-wide airlift competition. Our Dobbins AFB, Georgia unit finished first overall in 1986 and the same unit was the best United States team in 1987 with the Maxwell AFB, Alabama unit the best C-130 wing in the world in 1987. These accomplishments with the new C-130Hs illustrate again that our combat readiness is essentially limited only by the equipment we are operating.

While the Air Force Reserve has been a long time partner in the Military Airlift Command's strategic airlift associate program, we now have achieved an increased strategic airlift profile at our unit equipped C-141 and C-5 wings. The 459 Military Airlift Wing (MAW) at Andrews AFB, Maryland completed their conversion to 8 C-141B aircraft last year; the 433 MAW at Kelly AFB, Texas will complete their conversion to 15 C-5s in FY 1989; and the 439 MAW at Westover AFB, Massachusetts, who received their first of 14 C-5As last fall, will complete delivery in 1989.

These strategic airlift unit conversions allow us to operate and maintain these valuable airlift aircraft economically at a low peacetime tempo while maintaining a high wartime surge capability.

Our MAC Associate Program continues to be another cost effective means to conduct peacetime airlift while training to meet heavy wartime surge requirements. Our mission ready status was clearly indicated in last year's Airlift Rodeo, as the Reserve Associate wing at Norton AFB, California, was named the best United States wing.

Timely procurement of the C-17 aircraft is key to the Air Force's conventional force projection capability. For the first time in the history of MAC, production line aircraft are scheduled for unit-equipped Guard and Reserve procurement. The C-17 is planned for existing C-141 Associate units, in turn releasing those C-141s to modernize other Guard and Reserve C-130 units. We support the timely procurement of the C-17.

OPERATIONAL ACHIEVEMENTS

The Air Force Reserve units logged more than 220,000 hours in FY 1987, flying unit equipped and associate, primary missions in our fighter, tanker, tactical airlift and strategic airlift aircraft. The by-product of airlift training is a supplement to the Air Force peacetime mission. The Air Force Reserve contribution to MAC channel missions represented more than 38,000 passengers, 59,000 tons of cargo, and 263 million ton miles. Our unit equipped airlift mission added more than 53,000 hours, 90,000 passengers, and 19,000 tons of cargo. Reserve associate C-9 medical evacuation crews logged 3,500 hours while transporting more than 9,000 patients.

The Air Force Reserve made major contributions to exercise activities around the world in FY 1987. More than 32,000 Reservists participated in Joint Chiefs of Staff and Major Command (MAJCOM) exercises (command post and field training). Some of the major events were: Volant Oak and Pegasus '87 in Central America; Brim Frost in Alaska; Team Spirit, a Pacific intratheater airlift exercise; and Reforger, an all service deployment to the European theater.

In terms of tactical airlift support for these exercises, we deployed more than 37,000 troops, airdropping 14,000; and 4,000 tons of cargo, airdropping 500 tons of cargo and equipment. Our Volant Oak crews are in Panama all year where the Air Force Reserve shares a commitment with the Air National Guard for direct support to the U.S. Southern Command (SOUTHCOM) unified commander. Last year we flew 392 missions and 847 sorties carrying 8,500 passengers and 2,500 tons of cargo in support of SOUTHCOM requirements. In addition to these exercises, an additional 250 deployments transported 7,000 personnel -- all this, quite an accomplishment for a force in reserve.

In addition to routine training, members of two Air Force Reserve flying units recorded extraordinary firsts last year:

An aircrew of the 514th MAW, McGuire AFB, New Jersey airdropped the heaviest single load ever from a C-141, a 38,490 pound U.S. Army Sheridan tank.

Two F-4 crews from the 906th TFG, Wright-Patterson AFB, Ohio, participating in the Checkered Flag exercised, scrambled from Iceland and intercepted two Soviet bombers over the North Atlantic. This was the first "close look" for an Air Force Reserve crew.

In conjunction with proficiency training our flying units are often requested to provide a variety of humanitarian services:

Air Force Reserve rescue units were credited with saving 20 lives in FY 1987.

The 446th MAW, McChord AFB, WA air-evacuated eight, victims of the disastrous San Juan, Puerto Rico, New Year's Eve hotel fire to New Haven, Connecticut. Two reserve units (C-141 Associate unit from Charleston AFB, South Carolina, and C-130 crews from Niagara Falls, New York) joined Military Airlift Command aircrews in providing disaster relief for earthquake ravaged Ecuador in February.

The Air Force Reserve provides 100 percent of the Air Force aerial spray capability. In example of this mission, the Rickenbacker ANGB, Ohio, unit flew aerial spray missions to suppress a potential disease epidemic in Puerto Rico.

Other units accomplished remarkable feats with a combination of experience and ingenuity. A California C-130 unit from March AFB, California loaded a mobile aerial fire fighting system in their aircraft, and teamed with the Air National Guard to contain raging forest fires in Southern and Central California.

MILITARY CONSTRUCTION

Prior Year Execution

Turning to our military construction (MILCON) program, the FY 1987 program is nearly executed with 18 of 21 projects awarded. These awards amounted to 86 percent of the Air Force Reserve's total program after all funding reductions. The remaining 3 projects had to be delayed because we ran out of FY 1987 funds. In my testimonies for the past two years, I candidly informed the committee that because of insufficient funds caused by prior year budget reductions, we would probably be forced to delay projects. Unfortunately, that prediction came true. It is inevitable that we will suffer operational hardships and unnecessary operating expenses by not having facilities ready for conversions, especially at locations where "work arounds" are not available.

Current Year Execution

Execution of our FY 1988 MILCON program is well underway with seven projects awarded and 22 out for bids. We plan to execute 34 to 35 projects this year, a 97 percent execution goal. One project will be deferred because of equipment criteria design changes to meet safety standards. As in the past two years, we may again be forced to delay other projects because of insufficient funds. I will address this issue again near the end of my statement. However, we will continue to take management actions to obtain all possible savings.

FY 1989 MILCON Budget Request

The Air Force Reserve MILCON budget request for FY 1989 totals \$58.8 million; \$49.7 million for major construction,

\$2.9 million for unspecified minor construction, and \$6.2 million for planning and design. Approximately 48 percent of the major construction dollars support conversion/new mission requirements, and 52 percent support modernization and the revitalization of existing physical plant. FY 1989 project designs are progressing satisfactorily, however, six projects do not meet the 35 percent design requirements. These projects support an accelerated F-16 conversion at and the activation of a civil engineering unit at Morgantown, West Virginia. We will closely manage these projects but since we have constructed these types of facilities in recent years, we anticipated no difficulties in timely design completions and construction contract awards.

Although our FY 1989 amended budget request of \$58.8 million is only \$0.5 million less than the FY 1989 column of our FY 1988/FY 1989 Biennial Budget Request, the projects contained in the original FY 1989 request was actually reduced 20 percent overall. These deleted projects, which were identified as cuts to reach budget targets, together with the repricing of several projects and the addition of projects for an accelerated conversion, resulted in a net reduction of \$0.5 million.

Mr. Chairman, as this point, I would like to go into a little more detail about our having to delay projects because of insufficient funds. We entered FY 88 with a \$4.3 million deficit, because of prior year funding cuts, finding our program in the same situation as we were in FY 87. Our current estimated deficit totals approximately \$8.0 million, considering the bids on the 3 remaining FY 87 projects and the 8 projects with bids opened in our FY 88 program. As our FY 88 program now stands, some projects will be delayed until FY 89 funds become available. I do not believe, from a management stand-point, it is smart to continue to pay for current year projects with next year dollars. Our deficit is growing. It's time to balance the books and we intend to do so by requesting the cancellation of one or more projects.

CONCLUSION

In summary, the combat readiness and war fighting capability of the Air Force Reserve continues to be a vital element within the Total Force. Modernization and training will continue to be our primary concerns as we strive to manage our ability to defend America during this time of reduced defense spending.

As we enjoy our 20th Anniversary, we are proud of our achievements during 1987, and even more proud of our families and employers who support those accomplishments. The Air Force Reserve will continue to meet the challenge of the Total Force mission. To do this, it is more important than ever to fully fund the Air Force Reserve proposed FY 1989 program. Any reductions could seriously impact our ability to timely beddown programmed conversions which could lead to a degradation in readiness. However, with your continued support, if and when

the whistle blows, you can count on the Air Force Reserve to be ready. This concludes my statement, Mr. Chairman. I am prepared to respond to your questions.

NAVAL RESERVE

STATEMENT OF CAPT. JAMES D. OLSON, ACTING DEPUTY DIRECTOR OF NAVAL RESERVE

PERSONNEL STRENGTHS

Senator SASSER. We will turn now to Captain Olson, Deputy Director of the Naval Reserve, and does the Navy presume to speak for the Marine Corps today also, Captain?

Captain OLSON. Yes, sir.

Mr. Chairman, members of the committee, it is my pleasure to appear before you and present the amended fiscal year 1989 Military Construction Naval Reserve Budget request. As you have indicated, the Navy is designated by the Department of Defense as sponsor for this appropriation which funds all Naval Reserve and Marine Corps Reserve construction requirements.

The Naval Reserve and Marine Corps Reserve are truly forces on the move. The Naval Reserve personnel strength has grown by 10 percent since 1983, while the Marine Corps Reserve represents over one quarter of the Marine Corps' total force of manpower, and has experienced a 17-percent growth since 1983. In both Reserve components our people are flying, driving and sailing state-of-the-art equipment, the same as that which is used in the fleet. But we grow in strength and take on new and expanded missions, the facility requirement is also growing. We still have many obsolete and inadequate facilities. The construction backlog has increased to \$997 million despite larger appropriations and an energetic program to replace and modernize our facilities.

More details of these programs are contained in my complete statement.

I thank you for the past support of your committee and ask that your fine support continue.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF CAPT. JAMES D. OLSON

ACTING DEPUTY DIRECTOR OF NAVAL RESERVE

Mr. Chairman and Members of the Committee:

I thank you for the opportunity to appear before this committee to present the Fiscal Year 1989 Military Construction, Naval Reserve budget request which will fund Naval Reserve, Marine Corps Reserve, and joint Naval Reserve and Marine Corps Reserve construction requirements.

The Naval Reserve and Marine Corps Reserve continue to grow in terms of end strength, equipment and their role in the Total Force. The Naval Reserve achieved an end strength of 127,087 drilling Selected Reservists in Fiscal Year 1987, a growth of 3,974 over the prior year. During Fiscal Year 1988, we have been authorized a further strength increase to 130,609. With that increase the Naval Reserve will have grown by 10 percent over a four-year period. Most of the additional personnel will man state-of-the-art ships and aircraft, or provide needed manpower for medical support, inshore undersea warfare, and maritime prepositioned ship offload units.

The Marine Corps Reserve has also experienced significant growth. The Marine Corps Selected Reserve is organized into the 4th Marine Division, the 4th Marine Aircraft Wing and the 4th Marine Force Service Support Group. These Reserve commands comprise one-quarter of the Marine Corps force structure and make significant contributions to the combat power of the Corps. One-hundred percent of Civil Affairs capability, 50 percent of air-naval gunfire liaison capability, 50 percent of force reconnaissance capability, 40 percent of tanks and 33 percent of heavy artillery are found in the Marine Corps Reserve. The end strength of the drilling Marine Corps Selected Reserve was 40,511 for Fiscal Year 1987 and is projected to grow to 41,655 for Fiscal Year 1989.

With the increased number of drilling Selected Reservists, the acquisition of new equipment, and the expansion of the Naval Reserve and Marine Corps Reserve requirements, increasing demands are being placed on existing facilities, while new mission requirements are generating the need for new facilities. This pattern dictates a substantial and continuing investment in facilities to ensure that we can attain and maintain our mission of providing, upon mobilization, fully trained (vice "trainable") Selected Reservists.

As we have pointed out to Congress in previous years, most of our Reserve component facilities were constructed in the 1940s and early 1950s. Four of our six Naval Air Stations (NAS) were designed and constructed during World War II. Over 80 Naval Reserve centers are wooden frame or pre-engineered structures, and in excess of 40 years of age. Many are Quonset hut or semi-permanent construction and do not permit the installation of modern, sophisticated training equipment. These old facilities consume our valuable operation and maintenance funding resources on excessive routine maintenance, breakdown repair, and inefficient energy consumption. Despite our emphasis on replacement and modernization projects there are still 74 of 280 Naval and Marine Corps Reserve centers and facilities, or 26 percent, which are in inadequate condition and need replacement or extensive alteration. Substandard facilities inhibit training, reduce personnel retention, impair mobilization readiness and

adversely affect the pride and performance of our Reserve units. We must remember that Reservists are volunteers; they do not depend on the Navy for their livelihood, and most can leave the Selected Reserve at any time. Facility improvement has not kept pace as the Navy has modernized its Reserve in other areas. The cornerstone of this modernization effort is the policy of "horizontal integration", which assigns to the Reserve the same range of new and old equipment as that which is used by the Active force. The net result is the strengthening of the total Navy warfighting capability through common logistical support as Reserve units are integrated into fleet operations, tactical training, and war planning.

This integration process has continued in all facets of the Naval Reserve. By the end of FY 1988, the Naval Reserve will man eight Knox class frigates and 16 Oliver Hazard Perry class guided missile frigates, an increase of nine ships within the Naval Reserve Force in just two years.

These two classes of ships are operated simultaneously by both Active and Reserve forces, an excellent example of horizontal integration of equipment. The same is true of our Naval Reserve tactical squadrons which are being modernized to the same aircraft, such as the F-14A and F/A-18, as their fleet counterparts.

The readiness status of ships and aircraft assigned to the Naval Reserve is comparable with their Active force counterparts. The steps we have taken to improve manning and to enhance training are showing positive results. To sustain the momentum we have achieved in readiness, we are making every effort to squeeze maximum use out of existing facilities.

While the acquisition of up-to-date hardware and modern facilities are key factors in the readiness equation, the effectiveness of our training is also a most significant factor. Training Naval Reservists in landlocked areas of the country presents a particular challenge, especially in the case of surface sailors. A series of new Naval Reserve training initiatives have addressed this concern while, at the same time, revitalizing the overall training capability of our Surface Reserve Force. These initiatives are designed to move the Surface Reserve Force into the 1990s with the highest possible mobilization readiness.

One of these training initiatives involves a network of enhanced Naval Reserve Centers which will evolve into Readiness Centers, which will in turn make fleet-oriented training readily available for Selected Reservists who cannot drill continuously with their gaining commands. Establishing these Readiness Centers is an important factor in accommodating the growth of the Surface Reserve without the need to construct numerous additional buildings.

During the ten years from 1979, the Naval Reserve and Marine Corps Reserve construction backlog has increased by more than 300 percent. The existing construction backlog of \$997 million equates to 30 percent of the Current Plant Value (CPV) of Naval and Marine Corps Reserve facilities, which totals over \$2.5 billion. This growth in construction backlog occurred despite a reduction in the number of Naval Reserve facilities from over 400 in FY 1972 to 235 in FY 1987.

The Military Construction, Naval Reserve (MCNR) program addresses many of the pressing facilities issues resulting from a sustained growth in personnel and construction backlog. All of the projects contained in the FY 1989 budget request for \$48.4 million will support existing missions and will expand, modernize or replace some of the inadequate and deteriorated buildings in the facilities inventory. This systematic correction of deficiencies promotes

positive progress toward our long term goal of reducing the construction backlog.

The Military Construction, Naval Reserve program is comprised of three parts: Major construction projects, including specific minor construction projects under \$400,000 each; Unspecified minor construction projects costing less than \$400,000 each; and funds for planning and design.

The Naval and Marine Corps Air Reserve portions of our FY 1989 program include major projects which will provide facilities to support maintenance of aircraft engines, airframes and ground support equipment vital to the operational readiness of our squadrons. Administrative and training functions will be enhanced by projects supporting air operations, training and administrative facilities for Naval Air Reserve and Marine Corps Air Reserve personnel.

For the Naval Surface Reserve, over 70 percent of the projects will involve construction of new training buildings which will replace some of the semi-permanent (i.e., Quonset hut) construction and other old structures. The remaining projects will modernize, upgrade or expand existing facilities to support existing training and administrative functions as well as new requirements resulting from personnel increases.

To make the best possible use of the limited resources available, existing facilities are expanded and modernized to the maximum extent possible to meet the new requirements. We consider new construction only when expansion or modernization is not feasible because of the nature of the new requirement or the uneconomic nature of the renovation. When new construction is required, we consolidate with other Reserve or active facilities whenever practical.

The objective of our Military Construction program, in concert with our Facilities Maintenance and Repair Program, is to provide a balanced program which obtains optimum returns, or service life, on capital investments and which is also responsive to expanded missions or new requirements. All proposed projects will provide for improved training, operational, maintenance or personnel support facilities and will contribute substantially to the improved readiness of Naval and Marine Corps Reservists.

In the years ahead, as the Reserve Components of the Department of the Navy absorb additional responsibilities, their major challenge will be to recruit, train, and retain the numbers and types of Selected Reservists necessary to fulfill their expanding role. Modern facilities, advanced equipment, meaningful training and thorough integration with the Active forces will greatly enhance our ability to successfully meet these challenges. The product of our success will be ready mobilization assets for the Total Force.

We appreciate the support of this committee and earnestly seek your approval of the projects which comprise this biennial budget submission.

This concludes my statement, Mr. Chairman. I will be happy to answer any questions and to provide additional information.

TRANSFER OF STRATEGIC AIRLIFT MISSIONS

Senator SASSER. Thank you, Captain Olson.

General McMerty, last year this committee directed the Department to provide us with a report detailing specific plans for transferring strategic airlift missions from the active Air Force to the Guard.

Now, we have received that report which essentially says that no conversions are going to be made until the C-17 comes into service.

Now, I ask you today, is that a fair assessment of what the report states and has the Guard been told that you will receive the next strategic airlift mission?

General McMERTY. Sir, the Department position is that we will tie those conversions to the arrival of the C-17 into the inventory and that aircraft will flow to us as it has in the past as a result of that infusion of new equipment.

The time-phasing of that is dependent on the procurement rates for the C-17 and the IOC for that particular airplane, sir.

PROBLEMS IN MILITARY AIRLIFT COMMAND

Senator SASSER. I think you know my views on that, General McMerty. I think the Air Force is being penny wise and pound foolish. The Military Airlift Command is already having trouble making ends meet within the resources that they have available. They are running their pilots so hard that pilots are leaving the active service, and, if the press reports are correct, the Military Airlift Command also has serious financial problems.

I think the Air Force is missing a good opportunity here to ease their financial strain by transferring some of the strategic assets to the Air Guard. The Guard could do the mission a lot cheaper and do it, I believe, more effectively and efficiently than the active service.

Without asking you to comment on that opinion on my part, General McMerty, do you agree with my assessment of the Air Guard's capability, and give us some recent examples of what the Guard has done with regard to missions to Central America and other areas?

General McMERTY. Certainly, sir. We believe that we can be an active participant in the missions of the U.S. Air Force and have, in fact, demonstrated that capability in a variety of different cases. Specifically, we have gotten 141's in the Air National Guard. The unit in Jackson, MS, is doing very well with the airplane. They have been very supportive of the needs of the Military Airlift Command and, in fact, have generated airplanes with very little notice in order to move forces down into Central America when the Department of Defense had a need to do that.

I believe that both we and the Air Force Reserve have clearly demonstrated our capability to do that if called upon.

HONDURAS AIRLIFT

Senator SASSER. General, were those 141's that the Air Guard operates out of Jackson, MS, were they active in moving elements of the 82d Airborne to Honduras a few weeks ago?

General McMERTY. Yes, sir; both we and the Reserve participated in that movement and we put four airplanes from Jackson and five from the Air Force Reserve into that effort, with almost no notice.

Senator SASSER. Almost no notice. How many aircraft did the Guard furnish, did you say?

General McMERTY. We each provided that support from a base of eight airplanes apiece.

Senator SASSER. How much notice did the Guard have?

General McMERTY. We were notified the evening before, and basically our people had to make their arrangements during the evening in order to be gone the next day.

Senator SASSER. The air crews were ready to go the next day and were operating the C-141's out of Jackson, MS; I suppose went to, what is the Air Force Base right outside of the 82d's headquarters there?

General McMERTY. Pope Air Force Base.

Senator SASSER. Yes; went to Pope Air Force Base; picked up elements of the 82d and took them down to Palmarola.

General McMERTY. Yes, sir.

Senator SASSER. I think that is a real testimony there to the Air Guard's ability to react and move fast. And my guess is, I would like to see some figures on how much money was saved by moving those people by Air Guard aircraft and Reserve aircraft as opposed to having active duty air crews and C-141's standing by to do that.

I have just visited some Guard airlift units, and I can say from first-hand experience that we ought to be proud of the way the Guard, the Air Guard and the Air Reserve carries out these airlift missions. And I am hopeful that the Department of Defense is going to work a little harder with MAC to get them to free up some strategic airlift assets to the Guard. It just makes good sense.

I think it is nonsensical to have these Air Guard units sitting around with old C-130-A model aircraft, some of which are dangerous to fly, with one-half of the squadrons or over half of the aircraft in the squadron being unable to fulfill their full mission because they are flying under restrictions because of cracks in the wings and that sort of thing. I mean, it just doesn't make sense to me to have qualified air crews sitting there who have aircraft that can't even perform the mission.

So we have got to move faster to get better aircraft to these Guard units.

And it ought to make some political sense, as far as the Air Force is concerned. This C-17 is a big ticket item. It is going to be a very expensive undertaking. It is going to take some advocates here on Capitol Hill to make that C-17 program work and get it fully funded.

So the Air Force needs to decouple the C-17 decision from the decision to move C-141's or they may find that some of the supporters of the C-17 program are losing some of their enthusiasm.

And they would be better off to move some of these C-141's and not let that whole controversy become an impediment to the C-17 program and, quite frankly, I see that controversy growing and mushrooming.

NEW C-141 MISSION

I would like to ask General Carpenter what plans the Reserve has for assuming a new C-141 mission. We have received a design notification which indicates that you seek to proceed, although the Guard is on hold, is that correct?

General CARPENTER. Yes, sir; can I give you just a little background on that, if I may?

Senator SASSER. Yes, sir.

General CARPENTER. Something you perhaps are aware, the C-141's that are in the Active Force today are 50 percent manned by the Active Force and 50 percent manned by the Air Force Reserve. So every aircraft that we have in the active inventory we have 50 percent of the crew and, also, about 40 percent of the maintenance capability in the Air Force Reserve.

The Air Force came up with what they call a total airlift master plan which dictates how those airplanes will flow from the Active Force into the Guard and Reserve. What went into that planning was to try to do it in an orderly fashion so that we in the Air Force and Air Force Reserve will not suffer a bathtub effect in our program as these aircraft are pulled out and put into the Guard and Reserve. That is one of the concerns that we face.

According to the airlift master plan there are 80 C-141's that will come into the Guard and Reserve as the C-17 comes onboard.

A large number of those aircraft will come into the Air Force Reserve because we are in the associate program today in the C-141 with the Active Force. That plan is in progress. We do anticipate getting a C-141 unit at some time in the 1990's at one of our bases.

Senator SASSER. Well, I had lunch a couple of years ago with General Cassidy. I felt so good about the lunch that I even picked up the check myself, and he left the impression that there would be no new Guard or Reserve conversions.

And I took General Cassidy at his word in view of the fact that the Guard C-141's are definitely, it appears, on hold. I thought that applied to the Reserve as well, and that is why the subcommittee put the design of those facilities for the Reserve C-141's on hold pending the outcome of the future of the C-141 program for the Air Guard.

So I hope, General Carpenter, you and your colleagues in the Reserve will communicate. We are in a quandary here in the subcommittee when it comes to the Guard and Reserves' C-141 program. And I hope, General Carpenter, that you will become an advocate for assisting us in getting some 141's freed up for the Guard.

I fear that the Air Force is playing a dangerous game here seeking to hold up everything until the C-17's become operational because the C-17 program, I can tell you quite frankly, is a program that could have some serious difficulties in this time of budget austerity.

I turn now to the ranking member, Senator Specter.

RESERVE FORCES ASSISTANCE TO ACTIVE UNITS

Senator SPECTER. Thank you very much, Mr. Chairman. I am interested to know what assistance the Reservists play in relieving Active Force personnel from duties which the Active Force personnel would have to perform were it not for the Reserves. Could we start with you, General Carpenter, could you give us some idea on that?

General CARPENTER. Sir, I am sorry. I was reflecting back on what the chairman said just now, trying to figure out if he misunderstood me, and I didn't hear your question. Would you mind repeating it?

Senator SASSER. Of course the bells had nothing to do with it.

General CARPENTER. No, sir; I am used to hearing whistles and bells.

Senator SPECTER. My question repeated, General Carpenter, is to what extent do the Reservists take the place of others who would be needed in the regular Air Force were it not for the Reservists, how many additional regular force personnel would be necessary in the Air Force?

General CARPENTER. Sir, I can give you some of the percentages that we generally talk about. The C-141 and the C-5's, for example, that are in the active force, we have 50 percent of the crews for those aircraft and we have between 35 and 40 percent of the total maintenance capability of all of the C-141's and the C-5's.

We get into the fighter arena, with the Guard and Reserve together, we have about one-third of all Air Force fighters in the Air Force Reserve and the Air National Guard. When we get into the KC-10 tanker force, again that is what we call an associate program in that we share flying that aircraft with the Active Force and, again, we have 50 percent of the crews of the KC-10's in the Air Force Reserve. I won't bore you with all of those percentages, but I would be willing to answer in any functional area.

Senator SPECTER. Those are very significant figures in terms of what the Reserves provide.

RESERVE SUPPORT TO ARMY

General Pickus, could you give us an idea as to what percentage the Reserves provide for the Army that would have to be done by active duty personnel were it not for the Reservists?

General PICKUS. I guess our situation is a little bit different than the Air Force in that we have units, prepared to do an active duty mission.

I don't have the percentages right now, but I don't think we are anywhere near on a day-to-day basis.

Senator SPECTER. I would be interested in a response if you could provide that for the record and, also, Captain Olson, if we could get a similar figure from the Navy.

[The information follows:]

MISSION AREA SUPPORT

This question can best be answered by addressing the two different ways in which the Naval Reserve provides assistance to the Active Forces as an element of the Navy's Total Force.

The first means of support lies in the various mission areas vested either wholly or in large part within the Naval Reserve Force. The following provides a listing of the various mission areas in which the Naval Reserve plays a major role in the Navy's total mission:

<u>MISSION AREA</u>	<u>PERCENT OF TOTAL FORCE</u>
Continental U.S. based logistic airlift squadrons	100%
Mobile Inshore Undersea Warfare Units	100%
Combat search and rescue capability	100%
Light attack helicopter squadrons	100%
Continental U.S. based composite (Service/ adversary) squadrons	100%
Naval Control of Shipping Units	99%
Cargo Handling Battalions	93%
Military Sealift Command military personnel	85%
Mine Warfare Ships	82%
Mobile Construction Forces	65%
Special Boat Forces	57%
Naval Intelligence Personnel	48%
Maritime Air Patrol Squadrons	35%
Medical Support Military Personnel	33%

Other smaller but no less significant mission areas in which the Naval Reserve plays a vital role in the Navy's Total Force includes: FFG-7 and FF-1052 class frigates (16%) and carrier air wings (13%).

The second means of defining the Naval Reserve's role in providing critically needed assistance to the Active Force lies in the rather significant numbers of Naval Reservists who have voluntarily augmented the crews of our combatant ships serving in the Persian Gulf over the past year. The record shows that 145 reservists have served to date in a voluntary recall status of up to six months aboard our vessels in that theatre of operations. Most of these personnel are serving or have served aboard the two Naval Reserve Force (NRF) guided missile frigates and the five NRF ocean minesweepers deployed to the Persian Gulf over the past several months. Other Naval Reservists have volunteered to serve in the naval control of shipping and special boat unit mission areas. In the process they have either directly relieved Active Force personnel who would otherwise serve aboard vessels in that region or they have augmented the Active Force in critical skill areas, some expertise of which resides only within the Naval Reserve Force.

% RESERVISTS IN PLACE OF ACTIVE COMPONENT

Beginning FY88 the Reserve Components comprised 53 percent of the combat force, 66 percent of the combat support force and 68 percent of the combat service support force for the Total Army.

RECESS

Senator SPECTER. The bells have rung and we have to go to vote now. I would like to submit some questions for written response, General Navas, with respect to the Indiantown Gap Installation in Pennsylvania and, General McMerty, a question for the record with respect to the facilities approved in recent years in Pittsburgh which have been deferred. We will submit those in writing for responses in writing.

Senator REID. Chairman Sasser has indicated that we would keep everybody here for a few minutes. Senator Specter and I are going to leave to go vote, but if you would remain here, Senator Sasser should be back within a few minutes.

I also have some questions that I will submit for the record and I would appreciate, Mr. Rosamond, when you get these questions that you would give a look through them and give them to the right person so that they can be answered properly. And I would ask that a copy of those answers be sent to my office as soon as possible.

As you know, we are trying to come up with a budget here and, the sooner we get these, the better it will be for me to give my input to Chairman Sasser and the staff.

This subcommittee stands in recess pending the call of the Chair.

[A brief recess was taken.]

EXTENT OF BACKLOG

Senator SASSER. The subcommittee will come to order. Gentlemen, I apologize for the delay. We had a vote on the floor which took longer than I anticipated and then I was called to another appropriations subcommittee meeting for just a moment, but we will proceed and see if we can't move just as expeditiously as possible.

Gentlemen, I would like each of you to tell the subcommittee the extent of your backlog, and we will begin moving from right to left. We will begin with you, General Pickus.

General PICKUS. Sir, our backlog is \$1.6 billion in the Army Reserve.

Senator SASSER. All right. How about you, General Navas?

General NAVAS. \$2.66 billion.

Senator SASSER. All right. General McMerty?

General McMERTY. \$908.6 million, sir.

General CARPENTER. \$400 million, sir.

Senator SASSER. Wait. What was yours, General McMerty?

General McMERTY. \$908.6 million.

Senator SASSER. General Carpenter?

General CARPENTER. \$400 million, sir.

Senator SASSER. And Captain Olson?

Captain OLSON. \$997 million, sir.

NAVY/MARINE CORPS BREAKDOWN

Senator SASSER. Is there a breakdown between the Navy and the Marine Corps on that \$997 million?

Captain OLSON. I have that broken down as follows: \$898 million for the Naval Reserve; and \$99 million for the Marine Corps Reserve.

ARMORY STORAGE BUILDINGS

Senator SASSER. All right. General Navas, can you share with us the Guard's requirement for armory storage buildings and indoor ranges?

General NAVAS. Yes, sir; the armory storage building program was authorized and funded in 1986 and 1987 and has been implemented in 39 of the 49 States. We have requested a total of 1,493 buildings to store and safeguard the new equipment that we have received as part of the modernization program, not only exterior storage of weapons and vehicles and tanks, but also indoor storage.

The 49 States which identify the need for the additional storage building estimated a cost of construction of approximately \$79.5 million. Most of the buildings awarded to this date have been pre-engineered metal-type prefab buildings with electrical heat, I mean, electrical lighting, shelving, but unheated. The cost per square foot from four different areas in the United States ranged from \$15 to \$16 per square foot.

There is a need still to construct the remaining identified buildings, which number about 700 of them, at an estimated cost of \$38 million. No armory unit storage buildings were in the fiscal year 1988 or 1989 budgets for the Army National Guard basically due to the priorities placed on by the budgetary constraints. We are looking at a multiyear program to put in future POM's to address this problem.

INDOOR RANGES

With respect to the indoor ranges, there was a survey conducted in 1986. We closed, as a precautionary measure for safety considerations, 1,132 ranges. An initial estimate was of \$60.6 million required to fix due to basically lead contamination in the indoor ranges. You are aware the primer releases some lead. Also, when the bullet goes down the barrel, it also releases some lead and when it splatters at the backdrop, that causes lead contamination, and some ventilation, some systems need to be in place to resolve that.

We conducted a second survey in 1987, and we clarified what an indoor range was. The Secretary of the Army published a policy on sharing of ranges and where ranges should be built based on climatic conditions, proximity to other ranges, et cetera. Safety criteria also were included, and then we provided guidance to the States.

We have found that we have approximately 80 safe ranges in the Army National Guard; 1,132 unsafe, or for limited use. Of those, 653 need to be rehabilitated and 36 new ones need to be built. The cost estimate for this would be \$54 million to accomplish, and we are also looking, perhaps, at a multiyear program for funding these ranges.

Our Operations and Training Division has prioritized these ranges and we have them in a priority list basically by type of unit. An infantry unit would have priority over a range versus, say, a finance or an adjutant general unit. The weather in the area is also a priority factor, and the number of troops in that State and how close those ranges are.

So the 653 ranges are prioritized. We are completing the staffing and we should be submitting the report as requested by Congress in the very near future.

Does that answer the question, sir?

Senator SASSER. Yes; I think it does, General.

CONCLUDING REMARKS

Gentlemen, I have got some additional questions, which in the interest of time we are going to submit for the record.

I want to thank all of you for appearing here this morning. It has long been my view that the Guard and Reserve make an enormous contribution to the National Defense. It has also been my view that we have an obligation to provide to the Guard and Reserve the tools with which to do their work, that is, the tools and the facilities whereby these Reserve troops and Guard troops can hone their skills, can be trained and will be adequate to the job when and if they are called upon.

I think in the final analysis, if we did get into a major confrontation, both the Guard and the Reserve would be called upon to play a very, very large role in that.

That is the reason for my interest in seeing that your needs are adequately met.

In my own State, for example, I am very proud of the hard work and dedication of every one of our Guardsmen there, of our Reservists, in all of the services, Army, Air Force, Navy, and Marine Corps.

I want to commend you for the job that you are doing with what I perceive to be less than adequate resources. I think we are fortunate to have people in the Guard and Reserve of your caliber and quality.

We are not going to be able to provide you with everything that you need, those of us here in the Congress, but I think some of us on this committee are in a position to try to rearrange some of the priorities so that the Guard and our Reserve forces of all four branches of the service will receive the necessary materials to get the job done.

SUBMITTED QUESTIONS

The submitted questions referred to earlier will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR SASSER

DEFERRED PROJECT LISTING

QUESTION. Will each component provide a list of projects that are executable in FY 89 but were deferred due to budget constraints.

ANSWER. The Services have provided the following Reserve and National Guard list of projects:

STATE	LOCATION	PROJECT TITLE	BUDGET AMT (\$000)
<u>For the Army National Guard:</u>			
AR	Camp Robinson	Range, M203GL/LAW/M202A1	162
CA	Sacramento (Mather)	Armory, 200 Person	1,915
CA	Sacramento (Mather)	AASF Aircraft Hangar C-12	388
CA	Los Alamitos	AASF Addition/Alternation	972
CA	Pittsburg	OMS #29 Alterations	324
FL	Tampa	Organizational Maint Shop	567
IL	Camp Lincoln	Trng Site, Eng/Storage Bldg	329
IL	Freeport	Armory Add/Alt	323
LA	Abbeville	OMS #10 Add/Add	131
MI	Wayne County	Armory, 400-Person	2,030
MN	Camp Ripley	Trng Site, Class IX Storage	199
MO	Fort Crowder	Trng Site, Classroom	123
MO	Fort Crowder	Trng Site, Post Supply Bldg	297
NE	Mead	Trng Site, Wash Platforms	172
NE	Hastings	Trng Site, Wash Platforms	156
NH	Concord	OMS Addition	344
OK	Camp Gruber	Range, Modified Record Fire	337
RI	Warwick	OMS Upgrade	230
TN	Smyrna	State Military Academy	947
WY	Douglas	Armory, 60-Person	1,033
WY	Camp Guernsey	Range, Mod Record Fire	814
			11,793
<u>For the Army Reserve:</u>			
AL	Gordo	60-Mbr USARC	1,547
AL	Talladega	Land Acquisition	75
CT	Danbury	Land Acquisition	350
FL	Kissimmee	Land Acquisition	375
IN	Kingsbury	300-Mbr USARC/OMS	3,215
KS	Fort Riley	Add/Alt ECS/AMSA & New Whse	4,024
ME	Rockland	Land Acquisition	125
MI	Bay City	Add/Alt 400-Mbr USARC/OMS/ AMSA	3,435
MI	Lansing	Land Acquisition	350
NH	Concord	Land Acquisition	150
NH	Laconia	Land Acquisition	350
NC	Rocky Mount	Add/Alt 200-Mbr USARC	1,306
OH	Columbus	Upgrade Kitchen	150
OH	Youngstown	Land Acquisition	200
OK	Enid	Add/Alt 100-Mbr USARC	1,422
PA	New Castle	Add/Alt USARC/OMS	1,409
PA	Norristown	Add/Alt 300-Mbr USARC/OMS	2,455
TN	Jackson	Land Acquisition	160

STATE	LOCATION	PROJECT TITLE	BUDGET AMT (\$000)
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For the Army Reserve (Continued):

VT	Beecher Falls	Land Acquisition	75
VT	Rutland	Land Acquisition	125
VA	Covington	Add/Alt 100-Mbr USARC	1,268
WV	Beckley	Land Acquisition	175
WV	Morgantown	Land Acquisition	150
WV	Parkersburg	200-Mbr USARC	3,306
WI	Wausau	Land Acquisition	225
			<u>26,422</u>

For the Naval and Marine Corps Reserve:

AK	NRC Anchorage	Reserve Center Acquisition	1,800
AL	NRC Huntsville	Reserve Center Acquisition	950
IL	NRC Decatur	Reserve Center Acquisition	1,000
IL	NAS Glenview	Tactical Air Command Ctr	600
IL	AFRC Joliet	Howitzer Shed	150
MO	NMCR Springfield	Reserve Center Addition	1,600
NY	ANGB Stewart	Supply Spt Bldg	1,820
OK	AFRC Oklahoma City	Howitzer Shed	150
WA	NRC Pasco	Reserve Center Acquisition	1,000
WI	NRC Plover	Reserve Center Acquisition	1,000
			<u>10,070</u>

For the Air National Guard:

AL	Birmingham	POL Complex	2,800
CA	Fresno	*Fire Suppression System	790
CA	Fresno	Fire Station	1,750
CO	Buckley	Medical Trng/Admin Fac	1,150
CT	Bradley	*Fire Suppression Sys	840
KS	McConnell	*Fire Suppression Sys	820
LA	Hammond	Comm-Elec Trng Fac	600
MD	G.L. Martin	Base Engr Maint Fac	1,765
ME	Bangor	Engine I&R/NDI Shop	1,350
MI	W.K. Kellogg	Jet Fuel Stor/POL Ops/ Vehicle Parking	2,700
MD	Rosecrans	Composite Support Fac	4,200
MS	A.C. Thompson	ADAL Base Sup/Equip Whse	2,250
NJ	Atlantic City	Comp Base Eng Maint/ Vehicle Maint	2,300
NM	Kirtland	Medical Training Facility	1,100
NY	Hancock	ADAL Automotive Maint Shop	2,200
PA	Willow Grove	*Fuel Sys Maint Dock	2,300
SD	Joe Foss	Wpns Release/Gun Sys Shop	800
WI	Truax	Alter Auto Maint Shop	860
			<u>30,575</u>

* Project was originally included in the FY 86 ANG MILCON program.

For the Air Force Reserve:

AL	Maxwell AFB	Composite Trng Fac	1,650
FL	Homestead AFB	Civ Engr Trng Fac	750
IN	Grissom AFB	Trng/Squadron Ops (A-10A)	4,850
NC	Pope AFB	Civil Engineering Fac	670
OH	Youngstown MAP	Shtfld Takeoff & Land Zone	4,000
			<u>11,920</u>

FACILITY LEASING

QUESTION. Will each component provide a discussion of the magnitude of leasing for facilities that should be replaced by more cost effective military construction projects?

ANSWER. For the Army National Guard, Federal leasing of facilities is an absolute must during periods of turmoil created by force structure changes and assignments of new missions. Shifting in population centers and demographic changes have caused reorganization and redesignation of units and the relocation of units within the state or between states. Because of these directed changes, facilities are being leased to serve as homestation armories and support facilities for the units until new construction can be secured. Normally, these lease periods are to run for four or five years. The current investment of \$2.7 million in facility leases is estimated to increase to about \$5 million by 1991.

QUESTION. Will each component provide a discussion of the magnitude of leasing for facilities that should be replaced by more cost effective military construction projects?

ANSWER. The number and cost of leased facilities has been increasing steadily since 1978 when the Army Reserve had 174 leases at a cost of \$4.9 million. If budget constraints comparable to those experienced in fiscal year 1989 continue in future years, the lease costs for the Army Reserve will be those reflected in the following table:

<u>FISCAL YEAR</u>	<u>NO. OF LEASES</u>	<u>TOTAL COST (\$000)</u>
FY 94	882	29,625
FY 93	788	26,451
FY 92	705	23,617
FY 91	630	21,086
FY 90	565	18,827
FY 89	525	16,500
FY 88	488	15,055

When programmed construction to replace leased facilities cannot proceed because of budget decrements, several negative impacts are experienced. Among them are the following: first, leases are renewed annually for one year terms thereby precluding the most favorable prices available only on long term leases; second, the adequacy of leased facilities in some cases deteriorates with each year of construction delay, thereby degrading training and readiness; third, as the cumulative effect of construction deferrals multiplies into the out years, inflationary pressures drive current estimates of construction steeply upward.

Other pressures also contribute to escalating lease costs for virtually all reserve components. Frequently overlooked is the fact that reserve unit deactivations and relocations are usually driven by population migration trends from heavily industrialized areas and farm communities to the South and West. Unlike active components which take recruits out of their communities and send them to established bases, the reserves must establish training centers in those communities that are attracting qualified recruits for the reserve forces. Lease costs, particularly in these urban areas and communities undergoing rapid growth because of population shifts, are extremely high and virtually prohibitive.

If leased facilities cannot be replaced by more cost effective military construction projects, innovative approaches to leasing itself should be explored. Among the cost saving approaches to consider are long term leases rather than annually renewable ones, lease to own and build to lease programs.

QUESTION. Will each component provide a discussion of the magnitude of leasing for facilities that should be replaced by more cost effective military construction projects:

ANSWER. The following Naval and Marine Corps Reserve discussions are provided:

Almost 100 Naval Reserve Centers are currently under a lease arrangement. The current total annual lease cost is approximately \$2.8 million and will increase to \$4.5 million in the next few years unless sufficient Military Construction, Naval Reserve, (MCNR) funds are available to exercise acquisition options on current leases. Increased lease costs are being experienced at a number of the centers. Many older Reserve Centers are located on land presently leased from local city and county governments for one dollar a year. As these leases expire, the local governments are often unwilling to renew as long term leases, or are only willing to renew at fair market value. The alternatives are to pay higher lease costs or find alternate facilities to lease until the existing, or other permanent facilities, can be acquired through the Military Construction program.

The Marine Corps leases seven commercial facilities as reserve centers with an annual cost totaling \$696,000. One of these facilities (Brook Park, OH) will be purchased and modernized as part of the Fiscal Year 1988 Military Construction, Naval Reserve program. At least two of the other facilities will be purchased in the next few years.

Leased facilities are often used to house newly activated reserve units since DOD regulations do not permit the programming of a reserve MILCON project until a reserve unit has at least 75 percent of its authorized personnel strength actually onboard. Once that strength goal has been achieved, the Naval Reserve or Marine Corps Reserve will either program a new reserve MILCON project or purchase the leased facility if it is cost effective and fully supports the training requirements of the resident unit.

QUESTION. Please provide a discussion of the magnitude of leasing for facilities that should be replaced by more cost effective military construction projects.

ANSWER. As a rule, the Air National Guard does not lease facilities on a long-term basis. Facilities are leased only as a temporary, short-term measure to provide adequate space until permanent facilities can be constructed. The Air Force Reserve is leasing no facilities in which such a space requirement should be replaced by more cost effective MILCON projects.

QUESTIONS SUBMITTED BY SENATOR REID

NEVADA ARNG ACTIVITIES

QUESTION. Why was the addition to the Army Aviation Support Facility at Stead Airport in Reno not included in the FY 89 Budget Request? In what year can I expect to see this request?

ANSWER. The project to expand the aviation support facility at Stead Airport in Reno, NV, has been delayed because of insufficient design. The facility which was built in 1984, is now programed for expansion in fiscal year 1990.

QUESTION. A new armory is needed in Clark County to support the 221st Armor Battalion. Can I expect to see a funding included for this armory in the FY 90 Budget request.

ANSWER. Information available to the National Guard Bureau indicates that the Adjutant General of Nevada requested an Armory at Las Vegas be programmed in the post fiscal year 1991 time frame. State design funds are to be requested in the fiscal year 1990/1991 biennial program. Before the National Guard Bureau can authorize federal support to design the proposed armory project, a demographic study must be completed by the State to ensure adequate manpower potential is in the Las Vegas area to support the consolidation of the 1st Battalion, 221st Armor. The Adjutant General has not submitted the Military Construction Project Request (DD forms 1390/1391) for the armory.

QUESTION. A new armory is also needed in Clark County to support several Army Helicopter and signal units. When will this project be funded?

ANSWER. No decisions can be made regarding a new armory in Clark County to support additional aviation units because no aviation units are currently available to the Army National Guard. The Nevada Army National Guard will be considered during any future allocation of additional aviation resources.

QUESTION. Governor Richard Bryan has written Major General Burdick a letter supporting the stationing of the new chemical brigade headquarters in Las Vegas, a request I support. As you may know, Nevada is one of only four states that does not have a brigade level or higher headquarters and one is badly needed to coordinate the activities of the Army Guard units stationed in Clark County. When will a decision be made as to the stationing of this brigade headquarters?

ANSWER. It was the intent of the National Guard Bureau to have all Fiscal Year 1990 stationing actions completed prior to January 1, 1988; but, the ongoing round of budget driven force structure reviews and corresponding doubts on future force structure issues are delaying programed unit activations and conversions through Fiscal Year 1994.

As reported to Major General Drennan A. Clark, the Adjutant General of Nevada, the Army National Guard Force Structure Allowance may be reduced for Fiscal Year 1989 and beyond. All programed actions must be reconsidered under this condition for supportability. It is the intent of the Director of the Army National Guard not to offer back any programed growth in structure;

but may be directed to do so. Decisions on any stationing actions are being delayed until this situation is resolved. Once the Force Structure Allowance is determined, appropriate stationing actions will be made, and all states and territories will be informed of the outcome.

QUESTION. In a letter dated March 3, 1988, the Air Force informed me that two projects indicated as priorities by the Adjutant General, State of Nevada, are "valid requirements". The first project is to Add/Alter the Avionics Building at the Air National Guard Base in Reno. It is to be included in "the nearest military construction year possible". What year do you anticipate this will be? The second project is the ADAL Warehouse Supply/Disaster Preparedness Building also located in Reno and is "programmed for the out-years". Does this mean you will request funding for this project in the FY90 budget?

ANSWER. The project to Add/Alter the Avionics Facility at Reno NV (\$650,000) will be included in the FY 90/91 Biennial Budget Submittal. Funding for the Add/Alter Warehouse Supply/Disaster Preparedness Facility (\$1,450,000) will not be requested in the FY 90/91 budget; the siting for the project is yet to be determined. By June 1989, the base will have developed a Comprehensive Base Master Plan which will form the basis for project design initiation and submittal in a future MILCON program.

QUESTION. Last year when the 5th Fighter Interceptor Squadron at Minot Air Force Base was deactivated, the North Dakota Air National Guard was assigned a Civil Engineering unit as well as F-16s to replace aging F-4s. Clearly the Air Force will accommodate the states where active units are being deactivated.

The 152nd Tactical Reconnaissance Group, an Air Guard unit stationed in Reno, has been cited by the Air Force for its superior performance. It is also composed of extremely noisy F-4s which the Washoe County Airport Board, the Reno-Sparks Chamber of Commerce and the Adjutant General would like to see replaced by RF-16Ds with reconnaissance pods. Given these facts, when will the upgrading of the 152nd TRG commence?

ANSWER. The current Air Force Reconnaissance roadmap calls for the RF-16C to begin replacement of the RF-4 in the Air National Guard during the late 1990's. The roadmap is a long-range look by Tactical Air Command at the needs of the total force reconnaissance community. It does not specify unit conversion sequence, nor does it represent a funded Air Force program for modernization of the RF-4C fleet with an F-16 derivative. Reno's 152nd TRG will remain in the RF-4C until a replacement weapon system is provided.

QUESTIONS SUBMITTED BY SENATOR SPECTER

BACKLOG

QUESTION. As the Chairman has stated, this Subcommittee has strongly supported the Guard and Reserve facilities programs for many years.

You spoke in your earlier remarks of the backlog in construction and, I believe, in maintenance.

What amounts are we referring to? And, what is your office doing to bring these backlogs into a manageable program which would reflect the Congress' continued emphasis on the increased role of the Guard and Reserve in the Total Force concept?

ANSWER. The Reserve Component backlog of maintenance and repair of existing facilities is at \$180 million now, estimated to grow to \$200 million by FY 1989. The Reserve Component backlog of construction of new facilities is in excess of six billion dollars. This office is working with each of the Reserve Components to develop a categorized list of projects that comprise their individual backlogs. These projects comprise the backup for a manageable buyout program my office has put together. I am endeavoring to sell this buyout program to the Services and defense leadership to be part of the DoD Five Year Defense Program (FYDP) being put together for the FY 1990-94 program.

Fort Indiantown Gap, Pennsylvania

QUESTION. What is the status of the Army Guard's planned armory at Fort Indiantown Gap installation in Pennsylvania? It is my understanding that this 1,000 person armory has been deferred to an out-year program.

ANSWER. Design for this armory as defined by the initial project scope is basically complete. However, the State is reconsidering the assignment of units to the proposed facility, and if changes are made, partial redesign may be required. Currently, the project is a strong candidate for our fiscal year 1990 program request.

ANG, PITTSBURGH, PA

QUESTION. Can you tell me the status of the facilities approved in recent years for the Air Guard unit located in Pittsburgh? I believe that because of budget reductions in past years (such as the cuts forced by Gramm-Rudman-Hollings) that some of these programs were deferred and later re-appropriated.

ANSWER. No appropriated project for the Air Guard unit in Pittsburgh has been deferred as a result of budget reductions. All of the military construction projects approved in the President's Budget are construction complete.

SUBCOMMITTEE RECESS

Senator SASSER. I want to thank you again for your testimony. This hearing stands in recess.

[Whereupon, at 11:49 a.m., Wednesday, April 13, the subcommittee was recessed, to reconvene at the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, APRIL 20, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:15 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding.

Present: Senators Sasser, Reid, Specter, and Stevens.

DEPARTMENT OF DEFENSE

ASSISTANT SECRETARY OF DEFENSE

STATEMENT OF HON. JACK KATZEN, ASSISTANT SECRETARY OF DEFENSE
FOR PRODUCTION AND LOGISTICS

ACCOMPANIED BY:

MAJ. GEN. PETER J. OFFRINGA, U.S. ARMY, ASSISTANT CHIEF OF
ENGINEERS, DEPARTMENT OF THE ARMY

REAR ADM. BENJAMIN F. MONTOYA, U.S. NAVY, COMMANDER, NAVAL
FACILITIES ENGINEERING COMMAND, DEPARTMENT OF THE NAVY

BRIG. GEN. MICHAEL P. DOWNS, U.S. MARINE CORPS, DIRECTOR,
FACILITIES AND SERVICES DIVISION, HEADQUARTERS, U.S. MARINE
CORPS

MAJ. GEN. GEORGE E. ELLIS, U.S. AIR FORCE, DIRECTOR OF ENGINE-
ERING AND SERVICES, DEPARTMENT OF THE AIR FORCE

BOB STONE, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR IN-
STALLATIONS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
FOR PRODUCTION AND LOGISTICS

FAMILY HOUSING PROGRAMS OVERVIEW

BUDGET REQUEST

Senator SASSER. The subcommittee will come to order.

Good morning, gentlemen. This morning we will begin by conducting an overview of the fiscal year 1989 military construction and family housing request.

The request before us is for \$9,012 million, and this represents an increase of \$510 million from the current year. The amount requested

represents a reduction of \$1½ billion from the original fiscal year 1989 budget submitted last January.

I must confess that at least the chairman is a little confused by this request. When the witnesses came before us last year, there was much talk about the priority placed on military construction by the leadership in the Department of Defense, but no senior leader offered to reduce procurement or reduction operations and maintenance or offer to reduce any other account to protect the military construction request. And we have now received the revised fiscal year 1989 request which represents a reduction of 15 percent from the original budget request submitted as part of the 2-year package last year.

We are seeing a 15-percent reduction in military construction at a time when the Department reduced the overall defense budget by only 10 percent. So if Milcon has enjoyed such a high priority in the Department, the question comes why was it cut by 15 percent, far deeper than the rest of the budget request?

I am afraid that in doing so, by making this very significant cut, below the other cuts made in the budget, those of us who advocate more funds for military construction have the ground cut out from under us. How in the world can myself or Senator Reid go to our colleagues on the Budget Committee and fight for higher military construction allocations when the priorities of the Department indicate that military construction should be cut deeper than the rest of the Defense budget?

Hopefully these hearings today will provide us with a better understanding of the purpose and the thinking behind the fiscal year 1989 budget as submitted.

We want to welcome before us this morning the Honorable Jack Katzen, the Assistant Secretary of Defense for Production and Logistics who is making his first appearance, I might say his maiden voyage, before the committee today, and Mr. Secretary, we are delighted to have you.

You may proceed as you wish, and for the record, would you kindly introduce the distinguished officers who are accompanying you?

INTRODUCTION OF ASSOCIATES

Mr. KATZEN. Thank you very much, Senator.

Let me introduce, starting on my left, General Offringa and Admiral Montoya, my friend Bob Stone, whom I believe you know, General Downs, and General Ellis from the Air Force.

The first thing that I would like to do, with your permission, is to read a short oral statement.

Senator SASSER. Yes; proceed, Mr. Secretary.

Do you have a longer statement for the record?

Mr. KATZEN. I have a longer statement for the record.

Senator SASSER. It will be included in the record as if read, and you may proceed with your summary.

Mr. KATZEN. Mr. Chairman and members of the committee, I welcome the opportunity to be with you this morning to present the Department's fiscal year 1989 requirements for military construction. As you may know, last month I was confirmed as the Assistant Secretary of Defense for Production and Logistics. I look forward to learning even more about our installation facilities and to working with you to ensure that we are providing quality facilities for our defense establishment.

I have already introduced the people who are sitting with me here, and we are here as a united team to answer questions and to propose our budget.

However, before we get into this I would like to diverge slightly from my written statement for the record and discuss some of the subcommittee's concerns that we have addressed since last year's military construction hearing. I thought it was quite worthwhile for me to review recent history as part of my education, and this is also part of my management style.

FORCE READINESS AND EFFICIENCY

We share your view that a well planned, well executed military construction program significantly contributes to force readiness and efficiency. I know that you, Mr. Chairman, can relate to this personally because of your experience as a child living in military housing. As a senior DOD official who places special emphasis on the Milcon program, I sincerely want to offer the Department's help and support to this subcommittee so that our requests will be readily understood and well received. Let me add that I endorse the Military Construction and Family Housing Program that has been requested.

Importantly, I want to recognize Mr. Stone's personal efforts, and his success in bringing your message back from last year to the Department's senior leadership. Shortly I will begin a tour of key bases to help me understand the issues faced by our people in the field so that I can better serve in my position and sharpen my judgment in this area.

QUALITY FACILITIES

Secretary Carlucci has said quality is pervasive in all that we make and do. In addition, if you know of my personal experience in my prior lives, I have been one of the biggest proponents in this country with regard to quality.

Through my personal experience, then, I know this is true, and this approach has maximum payoff. In the facilities business, as in any business, quality is free and generally, in the business world, I have learned it makes money for you. It is not a cost.

Investing in a quality-driven military construction program yields a positive return on investment as well as increased pride, performance, and combat readiness. The military construction program is a fundamental component of a modern, effective, high quality fighting force. Simply put, quality facilities increase fighting power.

May I give you a personal viewpoint that I think is most appropriate? All of the quality facilities in this year's military construction program must be looked at as part of an overall management system, a management system to increase efficiency, to enhance productivity, and therefore, to improve readiness.

Now, it is pretty easy to convince people that some new facilities and equipment such as airframe support facilities or equipment maintenance shop will help us do our jobs better. It is much harder to see the payoff of community facilities that raise morale and improve quality of life. Quality community facilities will motivate better performance. How much harder people will work is hard to know, but we do not need much improvement to pay back our investment. This has been proved by many calculations.

Quality defense facilities and support services are critical to the defense mission. But let me emphasize, we are not just asking Congress to appropriate money for quality facilities; we are trying to innovate, ourselves, and to get what our people need through other initiatives, such as privatization and self-help programs as well.

BUDGET REQUEST

In summary, for fiscal year 1989, we are requesting appropriations totaling \$8.8 billion, with \$5.6 billion for construction work, \$2.7 billion for operation and maintenance of family housing, and \$500 million for planning and design. This is \$1.6 billion less than the military construction request submitted in the fiscal year 1989 biannual budget last year; however, it is a 1-percent increase over fiscal year 1988 appropriations in real terms.

Now, we cannot save money by not making this investment in quality facilities because we would lose the increase in warfighting capability these facilities provide. We need all the funds in our fiscal year 1989 military construction request and your support for our quality initiatives.

Thank you for the opportunity to share our thinking with you. I will address any questions you may have, and in doing so, will use the support of the fine, expert team with me here at the table.

Thank you.

[The statement follows:]

STATEMENT OF

HONORABLE JACK KATZEN

ASSISTANT SECRETARY OF DEFENSE

(PRODUCTION AND LOGISTICS)

Mr. Chairman and members of the committee:

INTRODUCTION

I welcome the opportunity to be with you this morning to present the department's FY 1989 requirements for military construction. As you may know, I have recently been confirmed as the Assistant Secretary of Defense for Production and Logistics. I look forward to learning even more about our installation facilities and to working with you to ensure that we are providing quality facilities for our defense establishment, because quality is the least expensive and best way to go, and I'll tell you why.

AN INVESTMENT IN QUALITY

Secretary Carlucci has said, "Quality is pervasive in all that we make and do." Through my personal experience, I know this is true and that this approach has maximum payoff.

In the facilities business, as in any business, quality is free and generally, in the business world, makes money for you; it is not a cost. What costs money is unquality.

Investing in a quality-driven military construction program yields a positive return on investment, in the form of tangibles as well as intangibles in the form of increased pride, performance, and combat readiness. This payback, in the form of increased readiness and efficiency, provides value far exceeding original cost. The military construction program is a fundamental component of a modern, effective, high quality fighting force, because quality facilities enable our people to give their best, and increase their desire to give their best. Simply put, quality facilities increase fighting power. In addition, it increases our ability to recruit and retain fighting capability.

Here are some examples of quality facilities in this year's military construction program. The airframes support facility addition (\$4.3M) for helicopter maintenance at Corpus Christi Army Depot, Texas, must be looked at as part of an overall management system to increase efficiency. It will allow the people who overhaul helicopters to enhance productivity greatly through reduced rework, fewer delays, and improved process flow operations. This new facility could generate productivity improvements paying back the investment in one year. We can't save \$4.3 million by cutting this out of the budget. We could save \$4.3 million in military construction, but we would give up the increase in output that is worth more than that. Please remember always that facilities are part of an overall system to accomplish an objective and are not stand-alone considerations.

The missile crew training facility at Vandenberg AFB, California (\$6.3M) will provide a more efficient use of training man-hours and a greatly improved learning environment for SAC's missile crews. This facility as a portion of the overall crew training system, could eliminate thousands of man-hours wasted each year, because of the training squadron's inefficient layout scattered in several buildings. More efficient utilities, improved safety and the ability to provide more effective crew training are added benefits of this quality facility. We can't save \$6.3 million by cutting this project, because we would give up the improved performance of SAC's missile crews that is worth more than that.

A new hardstand and tactical equipment shop in Baumholder, Germany (\$10.8M) used for maintaining howitzers and Bradley fighting vehicles can improve productivity as much as 25%. Instead of maintenance being performed outside at nature's whim, it can be done indoors out of the elements. Two 500-man battalions work here on over 700 pieces of equipment. There are 250 people employed full time in maintenance, with another 750 doing daily checks on unit equipment. With this project, over 60 man-years now spent on maintenance can be spent on unit training, improving combat capability, and troop morale. We can't save \$10.8 million by cutting this project, because we would give up the improved performance of these 1000 soldiers that is worth more than that.

We're also planning for quality in the future. For example, the Army Forces Command put together a team to find innovative ways to provide quality facilities and services. After only ten months, they were pursuing 43 creative projects with significant payback. We haven't completed all the work to include these projects in this year's budget, but they include a modern automated supply warehouse at Fort Polk, Louisiana and similar systems for existing warehouses at Fort Campbell, Kentucky and Fort Lewis, Washington. The investment is approximately \$28 million, but the hard savings will be more than \$120 million over the life cycle. New proposals include a modern supply facility at Fort Hood, Texas and a maintenance facility and garrison headquarters building at Fort Polk, Louisiana. Each of these projects will mean better working conditions and improved customer service. We can't save the \$28 million by not providing these projects, because the improved operations are worth more than that.

It's pretty easy to convince people that some new facilities and equipment will help us do our jobs better. It's harder to see the payoff of community facilities that raise morale and improve quality of life. It's not hard to convince people that quality community facilities will motivate better performance. It is hard to figure out how much harder people will work. But, it's easy to demonstrate that we don't need much improvement to pay back our investment.

Here's how:

Including real property maintenance, we spend about 5% of DoD's budget on facilities, 95% on everything else that is supported by our facilities. A 1% improvement in "everything else" equates to 20% of our facilities budget. It's not hard to get a 1% improvement out of people with new motivation coming from quality living or working conditions.

Quality defense facilities and support services are critical to the defense mission. The quality of life of our people is most affected by facilities for housing, especially overseas; dependent medical and dental care; child care; dependent schools; family service centers; morale, welfare and recreation; and religious education. It is not just that you or I think the facilities are important, our senior military leaders -- the Service Chiefs and the CINC's of our unified and specified commands -- believe strongly in the importance of quality of life and excellent facilities.

QUALITY INITIATIVES

By the end of FY 1989 we will have 7100 housing units available through the section 801 build-to-lease program. This means we don't have to pay \$34 million in housing allowances for the 7100 military people and families living in these units.

We are hoping for success with the lower cost, partially subsidized, section 802 rental guarantee program. The 802 program will let us provide even more housing for our people at the cost of their housing allowances.

We are not just asking Congress to appropriate money for quality facilities, but we are trying to get what our people need through other initiatives such as privatization and self help programs.

For example, at Wright-Patterson AFB, Ohio the Air Force will lease base property to a private developer who will finance, build, and operate a 250 room visitors quarters and conference center - without spending a cent of the government's money for capital investment.

Lots of private business opportunities exist on military bases. We need housing, transient billeting, restaurants, and so on. And we have land that we can lease to private firms to build facilities and provide services.

Success stories like the top quality trailer park at Fort Ord, California, are encouraging base commanders and engineers to consider leasing land to developers who will build the facilities they need. We have had the most success with housing and fast food outlets. Where we can provide a similar service for a reasonable cost through private sector financing, it should be explored as a viable option.

People improving their own facilities make every facility improvement an investment in quality, with the user's needs a top priority, thus promoting top performance. Often, letting the people do the work creates better quality products and furnishings, they enjoy doing it, and they're proud of it. The Air Force and Navy call this program self help, the Army calls it U-Do-It.

We get two to five times the product for every facility improvement dollar when we encourage self help because taxpayers fund only the materials; the labor is "free." Early completion, the teamwork that is reinforced in the unit, and the sense of ownership for the working and living areas being improved are all payback from the program. People tend to take better care of the improved areas because they're proud of their accomplishment and they have a vested interest in improving the unit's productivity.

Our legislative package for fiscal year 1989 contains some technical corrections to improve existing authorities and some new initiatives to improve installation management.

BUDGET

For fiscal year 1989 we are requesting appropriations of \$8.8 billion. The request comprises about \$5.6 billion for construction work, \$2.7 billion for operation and maintenance of family housing, and \$500 million for planning and design. Approximately 70% of the construction is inside the United States.

Our FY 1989 military construction appropriation request this year is \$1.6 billion less than the military construction request submitted in the FY 1989 biennial budget last year, and only a 1% increase over

FY 1988 appropriations in real terms. This is a marked departure from recent years. In the last three years FY 1986-1988 we have requested appropriation increases in real terms of 18%, 15%, and 19%, respectively.

SUMMARY

We can't save money by not making this investment in quality facilities, because we would lose the increase in war fighting capability these facilities provide. We need all the funds in our FY 1989 military construction request and your support for our quality initiatives. Thank you for the opportunity of sharing our thinking with you.

INTRODUCTION OF SENATOR REID

Senator SASSER. Thank you very much, Mr. Chairman.

We are joined here this morning by one of the most valuable members of our subcommittee, and certainly one of the most loyal in looking after the subcommittee's business, Senator Reid, and I inadvertently neglected to ask you if you had an opening statement, Senator Reid.

I apologize.

Senator REID. Mr. Chairman, you are getting to know me well. I did not have one. I am looking forward to having the opportunity to ask a few questions at the right time.

Senator SASSER. Thank you very much.

Mr. Secretary, do any of the witnesses who are accompanying you today wish to add to your statement or clarify it in any way?

Mr. KATZEN. No; they have nodded that they are in agreement, they have nothing to add.

DEFENSE OF MILITARY CONSTRUCTION BUDGET

Senator SASSER. Mr. Secretary, you were not confirmed at the time this military construction budget was submitted, and so you are here defending the budget that was, in essence, put together by others, and I understand that, and I respect it.

I must say, though, Mr. Secretary, that it appears to me that the Department of Defense could have done more to justify military construction and to have defended this budget from what I perceive to be fairly substantial and in some cases cuts that in the long term, I feel, will have a deleterious effect on our military readiness. We are cutting this budget by \$1.5 billion from the amount originally requested. As I indicated, that is a 15-percent cut. And I think we will all agree that infrastructure improvements in the long run are force multipliers, and equally important, the longer infrastructure investments are delayed, the more the ultimate cost is going to be. It is kind of a pay me now or pay me more later situation.

I will just repeat that I think it is unfortunate that DOD did not do more to protect this military construction budget this year.

UNDERFUNDING OF GUARD AND RESERVE PROGRAMS

Having said that, perhaps the most troublesome aspect of this request as far as the chairman is concerned is what I perceive to be excessive cuts that have been made in the Reserve and in the National Guard, both Army and Air Guard.

I do not share DOD's sense of priorities when it comes to funding Reserve forces and our Guard forces. And I think the request before us today as far as the Guard and Reserve is concerned misses the mark. I think it underfunds what I perceive to be one of the most cost-effective portions of our total force, and that is the Reserve force and our Guard, and I believe, Mr. Secretary, that the Reserve and the Guard are going to play a larger and larger role as we see the Defense budget

being cut more in the outer years, if not cut in nominal dollars, it will be cut in real dollars, in my judgment, as a result of inflation eating into it.

Can you tell us why the Reserve and Guard were so underfunded in this fiscal year 1989 budget request that we have before us?

Mr. KATZEN. Senator, first let me say that I certainly share your view with regard to the importance of supporting the Reserves and the Guard. I have participated in my first series of meetings through the budget cycle at DOD this year, and in those, I see how important it is and how strongly the services do rely on the Reserves and the Guard.

I think the best way to get into the specifics is to ask first the Army representative, General Offringa, please, to comment.

STATEMENT OF GENERAL OFFRINGA

General OFFRINGA. Mr. Chairman, I, too, share as a member of the total Army, a major concern with the funding levels of the Guard and the Reserves. Like Mr. Katzen, I was not present during the actual delineations of the funding levels that were assigned. However, I do know that the levels were generated only after a lot of very agonizing decisionmaking. They surely do not reflect any denigration of the role that the Guard and the Reserves play. As a matter of fact, as we continue to try to do more and more within the force structure that the Army has tried to maintain, we are relying more and more heavily upon our Guard and Reserve.

Therefore, I will continue as the person who is involved, or one of the people who is involved in doing that, to attempt to fight for the highest possible levels of funding that we can get.

CONTRIBUTION TO FORCE STRUCTURE OF GUARD AND RESERVE

Senator SASSER. General, I appreciate those remarks, and I am not unaware of the fact that these officers sitting before us today are not responsible for these cuts, and I suspect are not, frankly, were not even asked for recommendations with regard to what would be done about the Guard and Reserve. But I do think the Department is making some bad decisions with regard to our Reserve and Guard forces.

I think the Department of Defense is failing to take advantage of the full potential that the Guard and the Reserve offers, particularly—and I have said this before to the Air Force Chief of Staff and to the Army Chief of Staff, particularly with regard to the Air Force and to the Army.

The longer the decision is made, or delayed, frankly, to convert units from the active force to the Guard or to the Reserve, the more expensive it is going to be to convert some of these forces in the future, and I think that is the wave of the future to some extent, particularly with regard to the Air Force, and maybe to a lesser extent, for the Army.

I think we really need some innovative thinking in the Department when it comes to dealing with our Guard forces and with our Reserve

forces. I think they can be and are very, very effective parts of the overall total force structure.

We are going to have to rely, as I said earlier, more and more on them in the out-years in the view of this Senator.

I would also add that the Department and the subcommittee have a different set of priorities when it comes to the amounts requested for overseas military construction projects. Last year during markup we provided \$234 million for construction in Germany. This year the request is for \$421 million. Last year we provided \$42 million for construction in the United Kingdom. This year the request is for \$78 million.

And there are other examples.

The total request for overseas construction is \$1.6 billion, and that does not count the \$1 billion or so that go for family housing operations overseas.

When I say that we may have a different set of priorities, these priorities come in view of the Congress' continued reluctance to fund large amounts for projects overseas as long as there is the perception—and frankly, I think it is more than a perception. I think it is a reality—that our allies are not carrying out their portion of the common defense, are not carrying their weight, in the view of many of us here in the Congress, and my view, and I think in the view of a large portion of the American people, which I now think is a majority.

EXCESSIVE COSTS OF OVERSEAS PROJECTS

Why has the Department requested what we perceive to be excessive amounts for overseas projects, Mr. Secretary?

Mr. KATZEN. Senator, the answer to that is to meet our needs overseas. These requests are scrubbed very carefully with respect to ensuring that they meet our needs.

I agree with you with respect to being very careful of how we spend money overseas, and also with respect to the share that our overseas allies provide.

As you know, Secretary Carlucci has set up a burdensharing task force directed by Deputy Secretary Taft. I have been selected to serve on that task force. I am going to be a proponent to see to it that our allies, both in the East and in NATO, do more.

I am not only a Secretary in DOD, I am also a taxpayer and a businessman, and those have largely influenced my decisions with regard to seeing that more is done.

So you can be sure that my voice, the same as yours, will be heard to see what can be done.

However, having said that, I do not want to start now with a long laundry list of apologies with respect to how much people are, in fact, contributing. You have seen all these laundry lists. I did some more homework, read through the testimony that was provided to you on I think it was March 21. There is a whole long list of very, very, very impressive numbers, very impressive facts with respect to what our allies are doing.

But that does not mean to me that they should not be doing more, and I am going to try to see that more is done.

ALLIED PARTICIPATION IN DEFENSE REQUIREMENTS

Senator SASSER. I appreciate your attitude on that, Mr. Secretary, and frankly, I applaud it. I think for the first time we have a Secretary of Defense, in Mr. Carlucci, who is serious about increasing the participation on the part of our allies. Heretofore, when this subject was raised with the Department of Defense under this administration and under the previous administration, it was my impression that we were simply getting lip service out of DOD, and what we would hear when there were some legislative initiatives to try to send a strong signal to our allies, particularly our European allies, that they must do more, what we would hear from the Department of Defense were statements of do not rock the boat, be careful, we do not want to do this or do that, they are already participating to this extent, and if we put too much pressure on them or look ungrateful, they might even withdraw from participating to the extent that they are.

I think we are past that time now, and I think this Secretary is serious about persuading our allies that they are going to have to do more, and I applaud him for it, and I fervently hope that the mission that Secretary Taft is undertaking to Europe will bear fruit. I think it will.

And I think if our friends in Europe see that we are serious about it, that they will do more.

I do not blame the Europeans. If someone else were willing to pay the freight and I was a European politician, I would gladly let them do it. I mean, let them build the airfields and the barracks, et cetera, et cetera, and I will just put the money from my treasury into social programs, health care, et cetera, et cetera, and when it comes time for reelection, explain to the German people and the British people and others what I had done for them. So I do not blame the Europeans.

But I do blame us for not demanding that they do more, and I think under Secretary Carlucci we are going to see a different approach.

Let me yield now to Senator Reid.

Senator REID. Mr. Chairman, I just have a few questions, but I do believe that they build upon the direction that you have taken.

MILITARY OPERATION IN NEVADA

As with all things in life, and Government is no different, you pay more attention to those things you know most about, and I know most about what is going on in Nevada. We have some very vibrant military operations there that are important to this country. We have Nellis Air Force Base, and we have the Fallon Naval Air Station, which has recently received a lot of attention because of the great activity that has taken place there in the last 4 years.

And in reviewing your statement, Mr. Secretary, you give a couple of examples about being concerned about quality. One example you give is something in Germany. I want to use that same analogy in Nevada.

We have, for example, at Fallon, naval air training exercises going on there almost on a daily basis. We have found in this country that Nellis for the Air Force and Fallon for the Navy provide our pilots with great training opportunities because it is rare that we have in this country a lot of land that you can fly over and do the things that need to be done to train our pilots.

Real problems are developing at Fallon because there is no place for people to live or to stay. Fallon is a rural community, and housing is a tremendous problem, and the reason I direct your attention to that is we have project P-286, which was in the 1991 program but has slipped to the 1994 program.

HOUSING DEFICIENCY AT FALLON

Now, in view of the housing deficiency that we have in Fallon I am going to do what I can to have this moved up to the 1990 program. It will provide only 80 housing units, not a great deal, but 80 housing units for NAS Fallon. This would satisfy only 40 percent of the net. There is at least a 200-unit deficiency there.

In town, there is no place for anyone to live. A little tiny apartment, and I mean small, is \$500 in Fallon. I want to know what your feelings are about moving this up rather than back.

Mr. KATZEN. Well, first off, let me say that I, like you, am very interested in what we are doing domestically, to the degree that my senior military assistant at the present time is laying out for me a program so that I can go out and visit some of these facilities. I want to see for myself, with my own eyeballs, what is going on, what is important, so I can better support this particular position.

With regard to your specific question, I would like Admiral Montoya, please, to reply.

Senator REID. Admiral?

STATEMENT OF ADMIRAL MONTOYA

Admiral MONTOYA. Senator Reid, good morning, sir.

You are correct, we do have a housing deficit in Fallon, NV, and we will deal with that in due course.

The reason it is where it is is because it is consistent with the rest of our thinking toward the family area in that we have a significant deficit throughout the country. We have focused our attention primarily to the large, dense city areas such as Long Beach, Charleston, San Diego, and so forth. We have a policy that is a little bit different for the rural areas. I think our approach to Fallon is consistent with the approach we have taken toward King's Bay, where we are developing a large naval base, and along the gulf coast areas where we are building our new home ports. In semi-rural or rural areas where the price of land is such and with the advent of the coming and growing of the Navy, we are hoping as a first priority to stimulate local developers to provide the housing that our people need as they do in great numbers in places like Memphis, TN, and in Gulfport, MS.

So we have been hoping and hope to this day that in Fallon, NV, the local market will be stimulated to provide that asset—a market that really does not exist because of the lack of land and other pressures in the large cities where much of our Navy is today.

That is the reason why, in recognizing the need, we do recognize it, but it is a little bit lower priority than the large city areas, in looking at Fallon, sir.

Senator REID. I would just make a couple comments. Trying to compare Fallon, NV, to Gulfport is like comparing apples and oranges. At Fallon, there has been little construction for many, many years.

I would also suggest that I have no quirks of conscience in trying to deal with the problem at Fallon because it is not a base that we are going to close. It is something that is going to be there for awhile. It is becoming more important on a daily basis. And I appreciate your comments, and we will see what we can do to rearrange things a little bit.

Admiral MONTOYA. Yes, sir.

I think conceptually I do not disagree with you one bit. It is a matter of priority in our own strategy.

HAWTHORNE AMMUNITION DEPOT

Senator REID. I would also direct, Mr. Secretary, your attention to a project at Hawthorne, the ammunition depot that has been there since the 1920's. Congress approved money there for a surveillance facility, and I am having some difficulty determining when the completion date of that is.

If you do not have that available, perhaps that could be supplied.

I see somebody shuffling through the papers there. Maybe somebody has a completion data on that project that has already been funded.

General OFFRINGA. I would like to provide that for you for the record.

Senator REID. Thank you very much, and I would not only ask you to supply it for the record, but give me a call on that, too, would you do that, or have somebody do so?

General OFFRINGA. I would be glad to do that.

Senator REID. And while you are about it, I would like to know what the 5-year Milcon requirements for Hawthorne might be, not only what the projects are, but what the total dollars would be.

Thank you, Mr. Chairman.

Senator SASSER. Thank you, Senator Reid.

[The information follows:]

AMMUNITION SURVEILLANCE PROJECT

The ammunition surveillance project at Hawthorne Army Ammunition Plant is in the fiscal year 1988 MCA Program. Construction is scheduled to start on September 30, 1988, and finish 450 days later in December 1989.

There are no MCA or AFH projects scheduled for Hawthorne Army Ammunition Plant from fiscal year 1990 through fiscal year 1994.

DECLINING VALUE OF U.S. DOLLAR

Senator SASSER. We have been joined by the distinguished Ranking Member of the committee, Senator Specter.

Senator SPECTER. Thank you very much, Mr. Chairman.

A question on my mind that arises from some of the trips I have made overseas turns on the declining value of the dollar, and United States personnel living in Germany who have suddenly found that their housing allowance can buy much, much less than it could have a few months ago.

What plans, if any, are there to try to bring some help to this very significant variance which the service men and women have no control over?

Mr. KATZEN. Senator, I am going to ask General Offringa to answer that question, but first, I would like to say hello. I do not know if you recall, but I lived in Philadelphia for many, many years, and I guess this is the first time I have had the opportunity to see you in a long time.

Senator SPECTER. It is nice to have you here, Mr. Katzen, and I congratulate you on taking on the public service in your important position, and it is especially pleasant to have an ex-Philadelphian on the job. The only thing better than that would be to have a current Philadelphian.

Mr. KATZEN. I would like to drop into your office and pay you a courtesy call.

Now let's hear from the General.

General OFFRINGA. Sir, there are a number of things that we are attempting to do to deal with that. First, I would state that that is indeed a very serious problem because we have a good percentage of our soldiers that must go out on the local economy in order to secure housing.

First of all, we have, as you know, a cost-of-living allowance that attempts to make some sort of adjustment and provide to the soldier some additional funds to assist them in their quest for housing. However, I would also say that that in no way comes close to covering all of the costs that are associated with that. But it is some help.

Second, of course, we are attempting to build additional quarters so that we can house more of our force. We have a very active leasing program.

GRADUATED RENTAL HOUSING PROGRAM

And finally, I would like to highlight for you what I think is a very innovative thing that we are attempting to do, something that we call the graduated rental housing program. This is a program in which the Government goes out and attempts to find private leases on the economy for the soldiers, and of course, the Government as a reliable, deep pocketed leasor, is generally able to generate additional quarters. Therefore, we are able to increase the marginal stock of housing that is available to the soldiers and relieve them of the very high up front costs that they have to pay.

As you know, when they lease a house in Germany, they are normally required to put 6 months rent up front, plus some utility money, which generally runs about \$5,000 per soldier.

We are very excited about this. As a matter of fact, I was dealing with the engineer from Europe just yesterday on this, and we feel that it will have a significant impact on increasing the available housing stock and the quality of the stock that is available for our soldiers.

OFF-BASE HOUSING

Senator SPECTER. General, do you have the figures on how much housing is required off base, and how much of that is provided for by the Army?

General OFFRINGA. I do not have those at my fingertips, sir. I would be glad to provide them for you, though.

Senator SPECTER. All right. I would like to see that, to have some idea as to how many of our military personnel overseas have to shift for themselves.

When you talk about putting \$5,000 up front for a 6-month deposit, that is the kind of a resource which I would think would be beyond the realm of most of the soldiers, perhaps beyond the realm of any of the generals, certainly beyond the realm of some of the Senators.

How does a soldier cope with a \$5,000 up front requirement?

General OFFRINGA. With difficulty, sir. It is a very difficult problem. We do have, of course, Army community family services that assist them in that with loans and that sort of thing.

Senator SPECTER. Well, I know it is a very difficult matter for the services, but I have a sense that there are many, many people who are just sort of thrown on the system, and the services cannot provide for everyone, and then it is every man and woman for himself, and it is pretty tough.

ALLOCATION OF ALLOWANCES

Let me ask you, on the allocation of allowances, to what extent are the allowances calculated with a view to the local economy, that is to say, if you have an expensive area in Germany, is the housing allowance substantially greater than it is for an inexpensive locale somewhere else, if there is any inexpensive locale anywhere?

General OFFRINGA. Sir, Mr. Stone indicates that he would like to handle that one.

Senator SPECTER. Thank you very much, Mr. Stone.

Mr. STONE. We have a housing allowance, Senator Specter, that varies by locale in all overseas areas. We attempt to adjust it whenever there is a noticeable change in the value of the dollar. The way it is arranged—

Senator SPECTER. What is a noticeable change?

Mr. STONE. Whenever the cumulative change is 10 percent.

Senator SPECTER. So how frequently then is the adjustment made?

Mr. STONE. Last year we were doing it biweekly for a while.

Senator SPECTER. Are you pretty closely indexed so that there is a realistic change in the allowance to correspond with the changes in the value of the dollar?

Mr. STONE. Yes; we are.

Senator SPECTER. Would you provide the subcommittee with a schedule as to what happened, say, last year as the comparison with the fluctuation of the dollar and the fluctuation with the housing allowance? I would be interested to see that. I think others would, too.

Mr. STONE. We will. We set the allowance so that it is enough to cover the full housing cost for the 80th percentile soldier, so that 80 percent of our people get all their housing allowances, all their housing costs covered, that is, their monthly costs.

Senator SPECTER. How about the other 20 percent?

Mr. STONE. The other 20 percent are paying more than the maximum allowance and they are forced to eat that. In some cases it is a real hardship for them.

[The information follows:]

SCHEDULE OF FOREIGN CURRENCY FLUCTUATION AND OVERSEAS HOUSING ALLOWANCE ESCALATION

Based on the allowance of an E-5, with three dependents and 6 year's service in Frankfurt, West Germany.

Month	End of month marks/dollar	Percent change	Housing allowance ¹	Percent change
January 1987.....	1.8266.....		\$747.....	
February 1987.....	1.8270.....	0.01	837.....	+ 12.0
March 1987.....	1.8045.....	- 1.2	837.....	
April 1987.....	1.7890.....	- .9	858.....	+ 2.4
May 1987.....	1.8230.....	+ 1.9	880.....	+ 2.5
June 1987.....	1.8235.....	.01	880.....	
July 1987.....	1.8590.....	+ 1.9	884.....	+ .5
August 1987.....	1.8157.....	- 2.3	923.....	+ 4.2
September 1987.....	1.8454.....	+ 1.6	894.....	- 3.1
October 1987.....	1.7285.....	- 6.3	945.....	+ 5.7
November 1987.....	1.6640.....	- 3.7	945.....	
December 1987.....	1.5680.....	- 5.8	1,019.....	+ 7.8
Total.....		- 14.2.....		+ 36.4

¹The housing allowance is the amount provided overseas including the basic allowance for quarters [BAQ], which each person in the service receives if Government-furnished quarters aren't available. For an E-5, the BAQ was \$318.60 per month in 1987. The housing allowance varies by location, pay grade, and number of dependents. There is not a 1 to 1 correlation between currency fluctuation and changes in the overseas housing allowance. Percentages changes in the overseas housing allowance reflect increases in rent, utilities, and deposits as well as currency fluctuations. Larger increases in the overseas housing allowance result when survey results indicate housing costs have risen independent of any currency fluctuation.

COST-OF-LIVING ALLOWANCES

Senator SPECTER. Through no fault of their own. It is not that they want to live in someplace that is more expensive.

Mr. STONE. Some of them sure do choose to live in places that are more expensive. Many of them are just stuck, they are doing the best

they can. And they cannot find rentals that are covered by the housing allowances.

Last year, Secretary Weinberger convened an action group in the Pentagon to figure out how we could take better care of them, and we were able to double their cost-of-living allowance.

Now, the main allowance they get is for housing, but they get another smaller allowance, the COLA, to cover incidentals, like they may have to buy gasoline on the local economy that are denominated in the local currency. We actually doubled the COLA. It is a small allowance, but we were able to help some.

Senator SPECTER. Thank you very much.

Thank you, Mr. Chairman.

Senator SASSER. Thank you, Senator Specter.

Mr. Secretary, we want to thank you for your testimony here this morning, and I must say that I think there are lean times ahead, and in these lean times I do believe that the Department of Defense must submit budgets that can be fully supported by this subcommittee, and I think that is going to mean in the future less emphasis on construction overseas, and it is going to mean, at least as far as the chairman is concerned, more emphasis on the Guard and the Reserve.

I hope that the discussions we had on these subjects this morning will help guide the Department to some extent as plans go forward for the future.

Thank you for your testimony, Mr. Secretary. I want to thank Admiral Montoya and our good friend Bob Stone, and Brigadier General Downs and Major General Ellis for appearing here with you this morning, and General Offringa, we are not going to release you at this time, we are going to keep you on the hot seat here for a little while longer.

Gentlemen, thank you very much.

SUBMITTED QUESTIONS

The committee has additional questions which we will ask you to respond to.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR SASSER

Family Housing Needs

The Committee is concerned that the Services may not be building family housing where it is most needed. As you well know, limited resources prevent all needs from being met.

Question. Please explain the process followed by the Services to identify and prioritize family housing needs.

Army Response. The Army first requires those locations having a family housing requirement to do a Segmented Housing Market Analysis (SHMA) which is part of the Army Housing Justification Process (AHJP). The AHJP shows long-range requirements and assets, both on and off post, while the SHMA gives a very accurate picture of the off-post private assets. Based on the results at each installation, each Major Army Command (MACOM) reviews its total requirement and non-quantifiable factors to prioritize their program. These non-quantifiable factors follow:

a. Determine availability and suitability of land for construction of family housing and probability of additional land being made available.

(1) Off-post - if land is not available or too expensive, military construction/attic conversion may be the only alternative.

(2) On-post - if land is not available, Government construction may not be an alternative.

b. Determine urgency of existing requirements and what impact the housing deficiency has on the mission.

c. Determine approximate cost of alternatives (e.g., military construction, foreign leasing, Section 801, Section 802, and attic conversion).

d. Consider a "mix" of alternatives to preclude over-programming of a particular type at locations with a large deficit.

e. Identify primary industries located in surrounding communities (e.g., resort, agricultural, colleges) and geographical location including climate and terrain.

f. Consider local community philosophy (e.g., Fort Ord area where local leaders support on-post housing).

g. Consider local community infrastructure available for increased housing support.

h. Determine security requirements for occupants of family housing (overseas areas).

i. Determine impact of host nation political feelings concerning military housing (overseas areas).

j. Determine capability of host nation to furnish family housing in lieu of military construction (overseas areas).

Each MACOM then forwards their prioritized projects to Headquarters, Department of the Army (HQDA), for evaluation and approval. HQDA reviews the requirements and non-quantifiable justifications of all MACOMs to prioritize the Army Family Housing Program. The Army's Family Housing Program is then approved by the major staff elements and the Army Secretariat prior to submission to the Office of the Secretary of Defense and Congress.

Navy Response. The identification of family housing needs results from the annual family housing requirements survey, which is conducted at Navy complexes worldwide. At locations which have significant deficits, the Navy is also conducting market analyses to assess the ability of the private sector to absorb a greater share of the Navy's housing demand.

Once requirements have been identified, programming recommendations for family housing acquisition are prepared by the installation and submitted, via the chain of command, for inclusion during the resource programming cycles. The relative priority of each recommendation is determined on the basis of a variety of factors within the overall context of the Navy's multi-year plan for housing. These factors include Fleet support, land availability, executability, deficit magnitudes and trends, and the environment surrounding the installation (i.e., remoteness, overseas location, etc.).

Air Force Response. Family housing needs are determined through the DoD annual Family Housing Survey. The Air Force prioritization is accomplished through a level-of-need formula which expresses, as a percent, the net housing deficit divided by the number of families in the effective housing requirements.

Question. What controls exist within the Office of the Secretary of Defense to ensure that the Services have identified the most critical needs and that these needs are funded first?

Answer. The Office of the Secretary of Defense delegated the responsibility for identifying locations with the most critical housing needs and determining the priority for meeting those needs to the Military Departments. They are in the best position for deciding where to build and how to use their limited resources most efficiently.

Question. It is our understanding that the Services maintain very few records to support decisions made regarding the identification and prioritizing of family housing needs.

Answer. Each of the Services maintains adequate records to identify and support family housing needs. The Army prepares family housing requirements documentation including a Segmented Housing Market Analysis (SHMA) for each project to be included in the budget. Moreover, this documentation is updated annually until a project is complete to ensure that if requirements change projects can be modified or canceled accordingly. The Navy maintains a documented audit trail which tracks the identification and prioritization of needs from initial formulation to final decision. Air Force family housing survey documents are retained on file for a minimum of three years. These records are used for both the identification and prioritization of housing needs.

Question. Please explain how the Office of the Secretary of Defense, or anyone else can provide proper oversight of the Services actions if the Services are not required to prepare and maintain adequate documentation?

Answer. The Services prepare and maintain documentation to identify and justify family housing requirements based on guidance issued by the Office of the

Secretary of Defense. Extensive budget justification reviews are conducted within each Military Department and by both the Office of the Secretary of Defense and the Office of Management and Budget.

Segmented Housing Market Analysis (SHMA)

We have been told that the Army has introduced a new process called the segmented housing market analysis (SHMA) to determine the extent to which adequate community housing assets are available to various segments of Army personnel requiring housing.

Question. Please explain the difference between the segmented housing market analysis and the system used in the past by the Army?

Army Response. Comparison of the two methods are as follows:

Past Procedures

- o Requires completion of DD Form 1376 questionnaires by service members
- o Completion of questionnaires results in the loss of a substantial number of man-hours on the part of service members and housing personnel
- o Normally performed once a year
- o Used the ratio of military households off-post to total community households regardless of bedroom and cost requirements to determine number of housing units available for military occupancy

SHMA Procedures

- o Eliminates questionnaires
- o Utilizes routine data maintained in the Installation Housing Office, Housing Referral Office, and Housing Operations Management
- o Can obtain requirements at any point in time
- o Directly matches segmented military demands for civilian housing with current and projected supply of community housing stock by bedroom and cost. Allows redistribution of excesses within segments with deficits in segments where bedroom and cost requirements can be accommodated

Question. Can you tell us which system is in wider used by the Services?

Army Response. The Army uses the new Segmented Housing Market Analysis/Army Housing Justification Process /AHJP methodology exclusively worldwide.

Navy Response. For several years the Navy has been using market analyses to obtain information regarding the ability of private communities to provide suitable housing for Navy families. The approach used by the Navy differs from the Segmented Housing Market Analysis in that we typically rely on independently contracted firms who make an objective assessment of a community rather than using our in-house personnel.

Air Force Response. The Air Force uses the DoD questionnaire survey process. The Army uses the Segmented Housing Market Analysis to justify housing needs.

Question. What advantages will be gained by using the segmented housing market analysis?

Army Response. The Segmented Housing Market Analysis system enables the installation/community housing personnel to accurately identify adequate community housing assets for service members. The system limits double counting of community assets when they are applied against the family and unaccompanied personnel housing requirements process, thus, giving a more precise picture of the capability of the civilian community to support military housing requirements. The SHMA also enhances the Army's ability to justify the acquisition of housing units where it has been demonstrated that the community cannot provide support.

The Army's housing justification process has clearly demonstrated its ability to provide necessary data in an accurate and timely manner for decision makers at all levels of command to adequately and accurately plan, program, and budget for crucial Army housing requirements.

Navy Response. The use of market analyses to determine the availability of suitable housing in a private community provides numerous advantages in our ability to assess the requirements for construction of Navy housing. The increasingly constricted housing markets coupled with the dynamic fluctuations in financing mechanisms have produced conditions which make it extremely difficult to predict long range capabilities within a specific community. Consequently, the traditional methods of estimating the military share of a housing market are strengthened when supplemented with the market analysis. With the advent of market analyses we are able to make sophisticated, quantitative judgments which enhance our ability to estimate military construction requirements. The use of market analyses also enhances our relationships with local political entities. This is essential to the success of providing housing for Navy families. We frequently work through governmental bodies in the conduct of our market analyses. As a result, the heightened awareness of these groups facilitates the location of private sector housing as well as the situation of military housing within a community.

Air Force Response. Since the Segmented Housing Market Analysis process was developed by and used exclusively by the Army, the Air Force cannot provide data relating to its advantages.

Family Housing For E1 to E3s

In the past, the E-1 to E-3 service members have been ineligible for family housing. However, these members, beginning with fiscal year 1985, became eligible for housing.

Question. If the current practice of assigning housing based on rank and seniority continues, do you believe that a significant amount of housing will become available for E-1 to E-3s, especially given the current housing shortages?

Army Response. Soldiers in pay grades E1 to E3 are included in future requirements for military family housing construction and acquisition. The amount of housing that will be actually built for these grades is of course dependent on the size of future family housing new construction programs. Current budget projections will preclude the construction of significant amounts of housing for grades E1 to E3.

Navy Response. No. Personnel in paygrades E-4 and above have a higher priority to assignment to family housing than personnel in paygrades E-1 to E-3. All paygrades are eligible to be placed on waiting lists for family housing but the demand for housing by E-4 and above personnel limit the opportunity for assignment by lower ranking personnel.

Marine Corps Response. The Marine Corps position is to provide housing for Privates and Lance Corporals (E1-E3) to whatever extent possible. Approximately 10 percent of the current Marine Corps inventory is dedicated to junior enlisted Marines. The new construction program for Fiscal Year 1988 includes 100 units for junior enlisted with another 116 units included in the Fiscal Year 1989 request.

Air Force Response. No. The current position is to assign family housing first to E-4s and above. Should their requirement be met, then E-1 to E-3s will be assigned to the remaining quarters.

Question. Since the current practice is to assign housing by rank and seniority, do you believe that some housing should be set aside for E-1 to E-3s?

Army Response. Beginning in Fiscal Year 1987, E1 to E3s have been assigned to housing acquired through construction, Section 801 or lease/build to lease. Soldiers in grades E1 to E3 have priority for housing acquired for their grades. Some installations have redesignated housing for these soldiers, e.g., Fort Lee--50 units and Fort Leonard Wood--200 units. Army policy is to leave the decision on how best to allocate available units to the installation commander.

Navy Response. Personnel in paygrades E-1 to E-3 are included in the identification of family housing requirements and their needs are considered in the programming process. They have equal priority with all other enlisted personnel for assignment to substandard housing. However, while recognizing the hardship of personnel in these paygrades to locate adequate affordable housing in the private sector, the Chief of Naval Operations has maintained the position that the assignment to Government Quarters should remain an incentive for advancement of junior personnel. Career personnel, those in paygrades E-4 and above, should be housed before Government assets are set aside for junior personnel.

Marine Corps Response. The Marine Corps believes housing should be set aside for E-1 to E-3s and has designated approximately 10 percent of the current inventory for junior enlisted.

Air Force Response. Until we build houses specifically for E-1 through E-3s, it would be inappropriate to set aside military family housing quarters for them. Otherwise, it would deprive our cadre personnel, E-4s and above, of available family quarters.

Question. How many E-1 to E-3's have actually been assigned family housing?

Army Response. The total number of E1 to E3s in Army family housing is 3,336.

Navy Response. Status reports as of September 30, 1987, show that E-3s and

below occupy 334 of the 64,620 adequate units and 1,225 of the 3,491 substandard units.

Marine Corps Response. The Marine Corps has assigned approximately 6,000 junior enlisted Marines to housing since they became eligible for military housing in Fiscal Year 1985.

Air Force Response. As of September 30, 1987, there were 3,970 E-1 through E-3s assigned to Air Force military family quarters. An additional 838 were assigned to substandard housing.

REPAIR OF FAMILY HOUSING

The Subcommittee has been informed that there are a number of family houses that are not suitable for occupancy because of needed repairs and rehabilitation.

Question. Please tell us how many houses are currently unsuitable for occupancy because of needed repairs?

Army Response. Currently, less than 1% of the total Army Family Housing inventory are inactive due to required maintenance and repair. Fire damaged units are assessed to determine if it is more feasible to repair or dispose of these units.

Navy Response. There are approximately 88 units in the Navy inventory that are unsuitable for occupancy due to needed repairs. These units are inclusive of fire, hurricane and termite damage.

Air Force Response. Currently there are 231 units unsuitable for occupancy because of needed repairs.

Marine Corps Response. The Marine Corps does not have houses unsuitable for occupancy because of needed repairs. Those houses currently inactivated are in the process of being rehabilitated or having major repairs completed. There are approximately 175 housing units unoccupied while undergoing whole house rehabilitation or major repairs.

Question. What is the range of time these houses have been in this status?

Army Response. Depending on the nature and extent of needed repairs, the time required for corrections can range from 2 to 12 months.

Navy Response. These units have been unavailable for occupancy from 15 days to one year.

Air Force Response. Down times range from 3 months to 96 months.

Marine Corps Response. The Marine Corps has no units unsuitable for occupancy because of needed repairs, but those houses unoccupied due to ongoing repairs are normally unoccupied for 3 to 4 months.

Question: Are there any new construction projects requested for

installations that have houses that cannot be occupied because of needed repairs?

Army Response. No, there are no new construction projects requested for installations that have houses that cannot be occupied because of needed repairs.

Navy Response. New construction of 300 units is currently programmed for PWC San Francisco in FY 1989. Six of the 88 units identified as unsuitable for occupancy due to needed repairs are located at PWC San Francisco.

Air Force Response. No, there are no new construction housing projects requested.

Marine Corps Response. The Marine Corps does not have houses unsuitable for occupancy because of needed repairs.

Question. What justification can there be for requesting new construction funds when some of the need could be met by simply repairing existing housing and returning it to use?

Army Response. The Army does not have any housing that falls within this category.

Navy Response. The need for additional housing in San Francisco far exceeds the units unavailable for occupancy. The very small number of Navy family housing units awaiting repairs to return the units to a habitable status would not reduce the requirement for new construction.

Air Force Response. New construction funds are requested only when replacement is more economical than repair.

Marine Corps Response. The Marine Corps does not have houses in this category.

USE OF UTILITIES IN FAMILY HOUSING

The Subcommittee has been told that some service members living in military housing use substantially more electricity and natural gas than the average private sector resident living in the general area.

Question. Does DoD make any attempt to monitor the use of utilities by families occupying military family housing?

Army Response. The Army has implemented a program for installation of master utility meters that monitor utility usage for quarters within a given area. Utility consumption for the area is thus based on actual use rather than on a predetermined calculation and areas where excessive consumption occurs are determined through comparison of usage between similar areas. The Army anticipates that master utility meters for all family housing areas will be in place by FY 90.

Navy Response. Yes. The Navy Energy Audit Report (EAR) provides utility data by activity for use in monitoring family housing

consumption. The consumption data for family housing is derived from master meters located within the individual housing sites, from engineering estimates that are annually updated or, in a few instances, individually metered units.

Air Force Response. Yes, utilities consumption is monitored at each military family housing area. The results of such monitoring is used to evaluate local measures taken in executing the Energy Conservation Program.

Marine Corps Response. The Marine Corps does not monitor utility usage by individual housing unit. The usage is monitored at the installation level. Additionally, if any abuse of utilities is observed, the installation commander is to take corrective action as required.

Question. Does DoD have a policy concerning action to be taken against those families who habitually use excessive amounts of utilities?

Army Response. The Army's policy is to determine the cause for excessive use of utilities - either due to malfunction of the quarters components or possible abuse by the occupants. The major emphasis is to assure the building is operated efficiently. However, essential work may not be performed in a timely fashion. Where an occupant may be conducting a business type operation in their home which consumes utilities for a profit making function, they are required to reimburse the Army. This would also include recharging electrical powered vehicles. Excellent results in precluding occupant abuses to utilities have been obtained through aggressive energy conservation programs. Although the Army does not have a departmental policy on action to be taken against families who habitually abuse the conservation program, installation commanders take appropriate action when families or others impede accomplishment of energy conservation goals.

Navy Response. The Navy does not have a policy regarding punitive action for excessive utility consumption. Utilities are provided to occupants of government quarters as part of their entitlement to quarters for which they forfeit their Basic Allowance for Quarters (BAQ) and Variable Housing Allowance (VHA). Commanding Officers of each activity have an Energy Conservation Program that provides command policy. Occupants observed wasting utilities (e.g. leaving outside lights on during the day, air conditioners running with doors or windows open, etc.) are provided reminders of the energy conservation program. These reminders are by way of tags left on the door or by a letter to the occupant signed by the commanding officer or his designee. Because of the lack of an individual meter, there is no means to accurately identify per unit consumption or, to identify those occupants using excessive utilities. Additionally, as there is not a provision to bill or collect funds for excessive use of utilities, policy enforcement becomes difficult.

Air Force Response. No, there is no general policy. Instead, each military family housing area is subject to local policy to enforce the Energy Conservation Program.

Marine Corps Response. Since the Marine Corps does not monitor individual housing units, there is no established means to identify families who use excessive amounts of utilities. However, if a family is observed to be abusing utilities (watering their lawn when it is raining, running the air conditioner during the winter months, etc.) the installation commander has the authority and responsibility to take corrective action including eviction if the individual has been counseled previously or the offense is of a serious nature.

Question. Please give us your thoughts on the feasibility of metering utility usage by military housing occupants.

Army Response. The cost of installing individual meters and monitoring individual utilities is greater than the anticipated savings. At Fort Irwin, where a housing comparison test is being conducted (manufactured versus conventional built) and individual meters have been installed, no major increase in consumption has been noted in comparison with similar quarters in the private sector where the individuals pay their own bill. To get occupants to read their meters would require the Army to install new meters, rewire units and then assure they are properly maintained. The master meter by housing area continues to be the best solution.

Navy Response. A test to determine the feasibility of metering all DoD family housing units was conducted in 1978 culminating with a report prepared by the Office of the Deputy Assistant Secretary of Defense (Installations and Housing) which was presented as a report to the Congress on 1 March 1980. DoD concluded that the best approach to energy conservation in family housing is a combination of continuing aggressive consumer education coupled with increased emphasis on energy conservation facility improvement. The estimated cost of metering approximately 300,000 units of DoD housing in 1981 was \$415,000,000. The estimated cost for procurement of necessary mini-computers and software to perform the calculations and produce bills was \$25,000,000, bringing the total initial cost to \$465,000,000. Costs of operating and maintaining a metering system and billing occupants was estimated to have an annual cost of over \$32,000,000 in FY 1987 dollars and would require a minimum of 487 additional employees for meter reading alone.

Air Force Response. The cost of installing meters throughout the housing inventory would be prohibitive. In addition, the variety in type, age, and location of the housing inventory would produce a wide variance in consumption. Such a variance would cause gross inequities in the cost to service members occupying military family housing.

Marine Corps Response. Metering utilities alone will most likely not change the usage by military occupants. Occupants of military housing are made aware of energy conservation and provided ideas on ways they can reduce their consumption. In order for metering to be effective, the occupant would have to see the impact of their usage. The cost of administering the program would most likely be prohibitive. Metering and subsequent billing for utilities would be viewed as an erosion of benefits warranting an adjustment to military compensation. Billing the occupant directly for utilities

would require a program similar to the variable housing allowance. This would require additional resources to manage. In conclusion, as past studies have indicated, a monitoring program for utility usage is not cost effective.

QUESTIONS SUBMITTED BY SENATOR REID

Question: Currently NAS Fallon has a six-month waiting list for family housing units, and a ninety-eight percent occupancy rate in town. MILCON Project P-286 was in the FY-91 program but has slipped to FY-94. In view of the serious housing deficiency which currently exists at NAS Fallon, why has this project moved to FY-94? I want P-286 moved forward to the FY-90 program.

Answer: In the Navy's initial planning process, the project to construct 80 units at NAS Fallon was identified for FY-91 execution. During the Navy's resource programming review, the project was deferred to FY-94 as a result of tightened fiscal controls. The projects included in the Navy's new construction program all represent locations where there is a serious housing deficiency or an urgent need for replacement.

Question: MILCON Project P-286 will provide eighty housing units for NAS Fallon. This would satisfy only forty percent of the current two hundred unit deficiency. As previously stated, there is a ninety-eight percent occupancy rate in town, therefore housing rates are very high. A one bedroom apartment costs \$450 per month. Given the current housing shortage, why is it that P-286 only provides eighty units instead of one hundred which would at least meet fifty percent of the requirement?

Answer: The planned military construction (MILCON) project for eighty units at NAS Fallon was based on the activity's overall acquisition strategy. This strategy called for the acquisition of 100 units through the Section 801 leasing program in addition to eighty units to be acquired through MILCON. Together, these two actions would satisfy ninety percent of the family housing requirement.

HAWTHORNE ARMY AMMUNITION PLANT

QUESTION: What is the status of the ammunition surveillance project at Hawthorne? What is the projected usable completion date for this project?

ANSWER: The ammunition surveillance project at Hawthorne Army Ammunition Plant is in the FY 1988 MCA program. Construction is scheduled to start on 30 September 1988 and finish 450 days later in December 1989.

QUESTION: What are the five year MILCON requirements for Hawthorne? What is the total dollar amount of these requirements?

ANSWER: There are no MCA or AFH projects scheduled for Hawthorne Army Ammunition Plant from FY 1990 through FY 1994.

DEPARTMENT OF THE ARMY

INSTALLATIONS AND LOGISTICS

STATEMENT OF HON. MICHAEL OWEN, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS AND LOGISTICS

INTRODUCTION OF WITNESSES

Senator SASSER. We will hear next from the Department of the Army, and we have the honorable Michael Owen, the Principal Deputy Assistant Secretary of the Army for Installations and Logistics. He is accompanied, of course, by Maj. Gen. Peter Offringa, the Assistant Chief of Engineers.

ARMY MILITARY CONSTRUCTION BUDGET CUTS

I want to welcome both of you this morning, and before you proceed, I will just have to tell you on the front end that the committee is surprised, to say the least, by the Army's military construction request this year. The Army has cut from the fiscal year 1989 request over \$689 million from the original amount that was submitted last year.

That is \$87 million below last year's appropriation, and that means that the request represents a real reduction in the Army's Military Construction and Family Housing Program.

When we first received the budget, we were impressed that the Army could cut so much during these tight budget times, and we thought the Army's cuts would serve as a model for cuts that would be made in the other services. But when we looked harder at where these cuts were made by the Army, our enthusiasm quickly waned.

We came to the conclusion that the Army had determined to perhaps mortgage the future in some of these cuts, because by delaying the military construction you are going to increase your operations and maintenance costs later. As we discussed with Secretary Katzen previously, such reductions do not square with the rhetoric of the past that military construction has a very, very high priority at the Pentagon.

That is the rhetoric. The reality seems to be something entirely different.

I do hope here this morning, Mr. Owen, you will be able to share the Army's philosophy for fiscal year 1989 with us, and you might even tell us why we should not cut the other services as deeply as the Army chose to cut itself. So you may proceed, Mr. Owen, as you wish this morning.

Mr. OWEN. Mr. Chairman, Senator Specter: It is a pleasure to have the opportunity to appear before the subcommittee this morning. I would like to very briefly summarize the statement and have one submitted for the record, so that we can allow time to answer any questions you may have.

ARMY FACILITIES ACCOUNTS

Speaking for the Army, we sincerely appreciate the support the subcommittee has given us, the Army through the years. The Army asks for your continued support this year as you review our military construction program for fiscal year 1989. The overall reduction in the defense budget has impacted quite significantly on the Army's facilities accounts, as you have just highlighted, Senator, in your opening remarks.

We in the facilities business have made a conscious choice to continue to meet our cost of ownership, that is to provide a minimum prudent level to maintain and preserve what we own.

Accordingly, our request for new construction has had to be reduced below what in the past years we generally considered to be a rather austere level, and it is below that this year. That was a conscious decision on our part, Senator.

For example, our MCA request for this year shows a real growth decline of 10 percent from what was approved in fiscal year 1988, and that in turn was down 12 percent from the fiscal year 1987 approved amount.

Needless to say, we have thoroughly scrubbed this year's request, and we truly did agonize over having to defer so many valid projects to future years. I ask you to keep this overall picture in mind as you review the details of our request.

We are extremely sensitive to the devastating effect that dollar devaluation abroad has had on our construction program. Consequently, we have limited our overseas construction to what we see as absolute minimum essential projects.

Even though that particular dollar amount is greater than it was in the prior year, we believe to a large extent that was driven by our force structure there and the need to follow on and complete some very large, but very crucial and important projects that we had gotten underway. We feel it is essential not to stop them in midstream.

FOLLOW-ON PROJECTS

Our request this year contains a number of follow-on projects to continue initiatives begun in the past. First, our program continues the funding which was authorized previously for the construction associated with the activation of the 10th Mountain Division at Fort Drum, NY.

Second, we seek full authorization and incremental funding for construction of the area-oriented depot at Red River Army Depot in Red River, TX, which was begun in last year's program. This is the third of our three area-oriented depots, New Cumberland in Pennsylvania, the one in Texas, and the Sharpe Army Depot in California.

So this brings that newly constructed, revitalized, renovated area-oriented depot system that we are so dependent upon up to state of the art when we finish the Red River project. We have \$10 million more in this year's request for phase 2.

Third, we seek additional authorization and funding to continue the modernization of the Reichel complex in Rheinberg, Germany, which was begun in fiscal year 1987.

CHILD DEVELOPMENT CENTERS

Next, our program contains 11 child development centers to replace delapidated facilities that we are currently operating under safety waivers. All 11 were selected quite simply, sir, due to the fact that all of them had what they call life safety threatening conditions, fire code violations and other substandard conditions.

And that is how we arrived at the 11 child care centers that would be constructed this year as we continue on in our program to buy out and modernize the child care facility inventory in the next several years. We have kept that on schedule.

SCHOOL OF AMERICAS AT FORT BENNING

Our request also includes construction to complete the stationing of the U.S. Army School of the Americas at Fort Benning, GA, an initiative begun last year.

Finally, the program contains several pollution abatement and energy conservation projects to comply with environmental laws and national goals in these areas.

I would like to note that this year's request also begins a significant new initiative to provide the facilities required to demilitarize our present obsolete chemical munitions stockpile. I believe this is a program you have watched particularly closely, Senator, in the past.

ABERDEEN AND TOOELE FACILITIES

We made the report to the Congress on March 15 laying out our total requirement and the proposed funding stream. Consistent with that report, this year's request contains two projects, a training facility at the Aberdeen Proving Ground outside of Baltimore, MD, and a demil facility at the Tooele Army Depot in Utah.

DEMILITARIZATION OF CHEMICAL STOCKPILE

As you may well be aware, sir, we have made a decision in February 1988 that we would demilitarize the Nation's stockpile of chemical weapons at the eight sites where they currently are stored, versus transporting them to centralized demilitarization sites.

Senator SASSER. I applaud that decision, Mr. Owen.

Mr. OWEN. Thank you.

FAMILY HOUSING REQUEST

On our family housing request, I would like to note that it is also constrained, and accordingly it has been developed with a view toward meeting our costs of ownership, albeit at a minimal level, at the expense of further investment.

This then has been a very brief overview of our fiscal year 1989 request. General Offringa, who has been here earlier this morning, will follow me. He can add additional details and the two of us would be happy to field your questions at this time, and if the General would like to add some words of opening.

[The statement follows:]

STATEMENT BY

MR. MICHAEL W. OWEN

PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND LOGISTICS)

Mr. Chairman, Members of the Committee:

It is a pleasure to have this opportunity to appear before this body. Speaking for the Army, I believe that over the years we have enjoyed an excellent working relationship with this committee. We have a deep respect for your dedication and judgment, and we sincerely appreciate the support you have given us. The Army asks for your continued support this year as you review our Military Construction Program for fiscal year 1989.

The overall reduction in the Defense Budget has impacted quite significantly on the Army's facilities accounts. We, in the facilities business, have made a conscious choice to continue to meet our costs of ownership more or less fully, that is, to provide a minimum prudent level to maintain and preserve what we own. Accordingly, our request for new construction has had to be reduced below what in the past was generally considered to be an austere level. For example, our MCA request this year shows a real growth decline of 10% from what was approved in fiscal year 1988 and that, in turn, was down 12% from the fiscal year 1987 approved amount.

Needless to say, we have thoroughly scrubbed this year's request and we agonized over having to defer so many valid projects to future years. I ask you to keep this overall picture in your minds as you review the details of our request.

We are extremely sensitive to the devastating effect that dollar devaluation abroad has had on our construction program. Consequently, we have limited our overseas construction to what we see as absolutely minimum essential projects. We firmly believe that we have a moral obligation to provide the absolute best facilities possible for our young soldiers and their families overseas.

Our request this year contains a number of follow-on projects to continue initiatives begun in the past:

First, our program contains the funding, which was authorized previously, for the construction associated with the activation of the 10th Mountain Division at Fort Drum, New York.

Secondly, we seek full authorization and incremental funding for construction of the Area Oriented Depot at Red River Army Depot, which was begun in last year's program.

Thirdly, we seek additional authorization and funding to continue modernization of the Reichel Complex in Rheinberg, Germany, which was begun in fiscal year 1987.

Next, our program contains 11 child development centers to replace dilapidated facilities which are currently operated under safety waivers.

Our request also includes the construction to complete the stationing of the U.S. Army School of the Americas at Fort Benning, Georgia, an initiative begun last year.

Finally, the program contains several pollution abatement and energy conservation projects to comply with environmental laws and meet our national goals in these areas.

I would like to note that this year's request also begins a significant new initiative to provide the facilities required to demilitarize our present, obsolete chemical munitions stockpile. As you are aware, we have furnished a report to the Congress laying out our total requirement and the proposed funding stream. Consistent with that report, this year's request contains two projects, a training facility at Aberdeen Proving Ground and a demil facility at Tooele Army Depot.

Since there has been a separate hearing on our request for Reserve Components, I won't go into any of the details here. I also won't go into any of the details of our family housing request, but I would like to note that it is also constrained and, accordingly, has been developed with a view to meeting our costs of ownership, albeit at a minimal level, at the expense of further investment.

This, then, has been a very brief overview of our fiscal year 1989 request. General Offringa, who will follow me, will provide additional details. Again, let me thank you for your past support. We look forward to working with you as we strive to provide our servicemen and women and their families the best possible facilities we can in these times of austerity.

CORPS OF ENGINEERS

ASSISTANT CHIEF OF ENGINEERS

STATEMENT OF MAJ. GEN. PETER J. OFFRINGA, U.S. ARMY, ASSISTANT
CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY

PREPARED STATEMENT

Senator SASSER. We will turn now to General Offringa.

General OFFRINGA. Sir, it is a pleasure for me to be here. I have a longer statement and with your indulgence I would like to submit it in the record. With my oral presentation I have brought slides to illustrate some of the points within the budget.

Senator SASSER. Your statement and slides will be included in the record, General Offringa.

General OFFRINGA. Thank you, sir.

[The statement follows:]

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STATEMENT BY

MAJOR GENERAL PETER J. OFFRINGA

ASSISTANT CHIEF OF ENGINEERS

DEPARTMENT OF THE ARMY

OPENING STATEMENT

Mr. Chairman and Members of the Subcommittee. I am Major General Peter J. Offringa, Assistant Chief of Engineers, Office of the Chief of Engineers, Department of the Army.

I am pleased to make my first appearance before the subcommittee to present the Army's portion of the annual Military Construction Appropriation Request for fiscal year 1989 as amended. I hope to continue the progress that you have made in ensuring that today's Army is supported by adequate facilities to carry out its worldwide defense mission.

The program that is presented today is a modification of the fiscal year 1988/89 request that was presented last year. It represents a substantial reduction of requested projects due to the fiscal constraints that we are jointly working under. However, it will sustain efforts started in prior years to improve the operational readiness of the Army while, at the same time, provide quality of life improvements so necessary to attract and retain dedicated individuals to service in the Army.

With the Committee's permission, I would like to talk about our facilities acquisition strategy as it effects fielding of modern weapons systems, operational efficiencies and, most importantly, our soldiers and their families. The issue before us is how best to meet the demands of a ready fighting force, support National objectives and provide quality living and working conditions within available resources to attract, train, equip and retain soldiers.

FACILITIES ACQUISITION STRATEGY

The Military Construction, Army (MCA) program constitutes 1.5 percent of the total Army budget request. Military construction funds finance the construction, rehabilitation or replacement of the facilities the soldiers need to live, train and maintain sophisticated equipment. The request presented today achieves the correct balance of facilities to satisfy the many needs of today's Army within a limited resource environment.

As we analyze the requirements for facilities such as new weapon systems being fielded, stationing decisions, obsolescence and deterioration all available alternatives are considered. Priority consideration is given to utilizing existing adequate facilities and to alteration or renovation/retrofit of available assets if feasible. The decision to provide a new facility is made only after a detailed analysis of the alternatives concludes that there is no other economically acceptable alternative. In respect to this, projects that indicate that they are facility upgrade or modernization do not imply lower priority in the requested program; they reflect the optimum alternative as the facilities strategy is applied.

The balance between the many facility demands is reflected in the amended fiscal year 1989 MCA request: thirty three percent provides for improved operation and training facilities such as ranges, instructional facilities, and facilities for new divisions at Fort Drum and in Alaska, twenty eight percent provides for improved or new maintenance facilities, eight percent of the

construction requested will provide new or upgraded barracks and community support facilities and eight percent for supply and administrative facilities. All of these types of construction are required in varying degree throughout the world in order for the Army to successfully perform its mission.

Each year we present goals for facility acquisition and "buyout" of requirement backlogs. The recent years reductions of funding levels have forced the modification and extension of these goals. We cannot afford to fall behind our minimum goals.

I would now like to present the amended fiscal year 1989 MCA program highlighting selected initiatives and the balance that we have achieved to provide maximum facility support for the total Army within the resource guidelines that we all must work with. First of all from the two primary perspectives of our soldiers; working/training conditions and living conditions.

WORKING AND TRAINING CONDITIONS

The fiscal year 1989 request emphasizes improving the working and training conditions and therefore the effectiveness of our soldiers. This is the major portion of the program and involves modern facilities for the Army to carry out its mission. The instructional, logistic and training support of Army operations reflect the facilities provided to accomplish them. A total of \$799,742,000 is included in the amended request to ensure that support be sustained.

The fiscal year 1989 request includes \$307,430,000 for Operational projects, \$69,942,000 for Training ranges and facilities, \$322,420,000 for Maintenance, \$11,050,000 for Production, \$34,860,000 for Research, Development Test and Evaluation and \$88,900,00 for Supply facilities.

LIVING CONDITIONS

The Army's Quality of Life Program fosters improved morale and individual readiness and continues to receive support in this year's request. Although troop housing and community facilities have been significantly reduced from the previous fiscal year 1989 request, the commitment by the Army to our soldiers and their families remains as strong as ever. Unfortunately, the operational necessity of sustaining a ready Army and high priority defense initiatives have forced us to slow down on one of our most successful and visible programs. Troop housing and community support facilities total \$96,920,000 for fiscal year 1989.

In the Unaccompanied Housing category, the fiscal year 1989 request of \$57,200,000 contains 1,908 spaces (nine projects) of new construction, 1,320 existing spaces (two projects) for modernization and one dining facility. At the end of fiscal year 1989, the Army will still have approximately 40,000 unaccompanied personnel inadequately housed requiring future construction or modernization of sufficient barracks spaces.

The Morale, Welfare and Recreation projects in the community facilities program exemplify the Army's commitment to fixing existing assets where it is cost effective to do so. New construction will utilize design standards to save construction costs. We believe we are making progress and will continue to do so each year with the help of Congress.

Our fiscal year 1989 request includes a mix of eighteen critically needed community facility projects totalling \$39,700,000 as indicated in the following display:

COMMUNITY FACILITY PROJECTS

Chapel & Religious	
Educational Facility	1
Chapel	1
Child Development/Religious Ed Center	2
Child Development Center	9
Military Clothing Store	1
Physical Fitness Training Center	2
Education Center Addition	1
Post Office	1

GEOGRAPHICAL DISTRIBUTION HIGHLIGHTSUNITED STATES

Our budget request inside the United States provides \$651,452,000 for fiscal year 1989 in construction projects. Although this reflects a reduction of \$134,128,000 from our initial fiscal year 1989 request, it will provide the essential portion of the construction required to support the operational, logistical and training base of the Army. The projects are located at installations in 22 states and the District of Columbia. Projects totalling more than \$20 million in construction are located in each of the following states: Alabama, Alaska, Georgia, Kentucky, Maryland, New York, North Carolina, Texas and Utah.

EUROPE

Our construction program for the United States Army, Europe (USAREUR) totals \$276,510,000, a reduction of \$65,460,000 from our previous estimate of the fiscal year 1989 program for Europe. Except for Forces Command, which includes special funding for facilities at Fort Drum, New York, this is the largest major Army command program; however, in relation to total requirements, it is an austere program especially when considered in light of the deplorable conditions in which many of our soldiers live and work. The size of our program in Europe represents the Army's response to major facility concerns by the Commander-in-Chief of U.S. Forces in Europe and the sustainment of major initiatives in that theater. Marked improvements have been made, thanks to the strong support of Congress and the Administration. This program will continue that momentum and provide substantial improvements. It represents a prudent balancing of requirements and support for our deployed soldiers.

Emphasis in the program remains on facility modernization, quality of life, hardstand/facility upgrade, utilities support, range modernization and aircraft maintenance hangars. These facilities will not only permit the deployment of new weapons, they will also substantially improve the conditions of the areas where the soldiers live and work.

WESTERN PACIFIC

The Army continues to support its commitment in the Western Pacific with a \$34,920,000 fiscal year 1989 request in support of the Eighth U.S. Army in Korea, a reduction of \$64,320,000 from the previous 1989 request. The U.S. Army, Japan request is \$7,900,000, a reduction of \$22,650,000. Twenty percent of the Korean request is allocated to replacing the deplorable facilities used by the 2d Infantry Division, which is deployed near the Demilitarized Zone (DMZ). Less than 50 percent of our soldiers are adequately housed. Let me emphasize, that while our construction standards at these locations are austere, they are consistent with enhancing individual, unit, and equipment readiness within the realities of an unaccompanied overseas environment. In the past, the majority of

our request supported the housing problem, however, the amended fiscal year 1989 request recognizes the operational and equipment support requirements in Korea as we continue to provide a balanced program.

KWAJALEIN MISSILE RANGE

In the fiscal year 1989 MCA budget request, we have included \$15,490,000 for construction to support the Kwajalein Missile Range, a reduction of \$9,910,000 from our original estimate. The request contains four projects; the two main projects are for dry dock facilities and an upgrade of the water storage system.

SPECIAL PROGRAM HIGHLIGHTS

ARMY ENVIRONMENTAL AND ENERGY PROGRAM

The fiscal year 1989 program includes three projects that are concerned with water pollution abatement totalling \$12,300,000. There are also three projects that will provide facility improvements to reduce the consumption of energy totalling \$2,540,000.

AREA ORIENTED DEPOT (AOD) MODERNIZATION

The Area Oriented Depot (AOD) modernization program will provide the Army wholesale supply system with state-of-the-art facilities capable of sustaining a high level of support to the modern Army well into the next century, both during peace and mobilization for wartime support. The AODs at Sharpe Army Depot, California; New Cumberland Army Depot, Pennsylvania; and Red River Army Depot, Texas, process 92 percent of all of the Army's materiel release orders, primarily repair parts.

Funding has been completed for the first Distribution Center Facility at Sharpe Army Depot and the second facility at New Cumberland Army Depot, Pennsylvania, with construction in progress. The third facility, at Red River Army Depot, Texas, had site preparation added to the fiscal year 1988 program by the Congress and this phase of the work is progressing. The fiscal year 1989 program requests total remaining project authorization of \$88,000,000, however the long construction time involved with AOD's is ideal for incremental appropriation. The appropriation request, in fiscal year 1989, is for \$10,000,000 to accomplish the first phase of construction for this project.

LIGHT INFANTRY DIVISION

As part of the Army's overall program to modernize its forces, five light infantry divisions have been formed. The five divisions are being formed by converting two active component divisions (at Fort Ord, California, and in Hawaii); forming two new active component divisions (at Fort Drum, New York, and in Alaska); and, forming one new Army National Guard division (at Fort Belvoir, Virginia). The converting divisions involve minimal construction requirements. The 6th Infantry Division has been activated in Alaska using the existing 197th Infantry Brigade as a nucleus and is being split between Forts Wainwright and Richardson.

The 10th Mountain Division has been activated at Fort Drum, New York. The FY 87 Military Construction and Appropriation Acts provided total authority of \$615 million for the facilities required in support of the 10th Mountain Division at Fort Drum, New York. A construction contract to undertake this work was awarded in April 1987. In addition to the initial appropriation of \$175 million in fiscal year 1987, the Congress provided advance authorization and advance appropriations totalling \$221 million for fiscal year 1988 and \$214 million for fiscal year 1989. Even though the fiscal year 1989 appropriation

was approved in advance, the amount is included in the Army's request to reflect the dollar control totals.

USAREUR INITIATIVES

The European Theatre has several important initiatives that depend on facilities included in this request. Included in the program are several projects that will sustain the momentum of our previous programs and provide the required support for our soldiers and equipment.

The continuation of construction in support of operations of the Northern Army Group at the Reichel Complex in Rheinberg remains a high priority this year. The projects included in the fiscal 1989 request continue the program that began in fiscal year 1987 and are necessary to ensure that the programing will be completed on schedule. As you know, this complex is being developed as a result of a threat analysis and is ideally located to provide logistical support and coordination in this area.

The allocation of ground combat units to Vilseck and the Army Aviation Restationing initiatives are continued in this request. Projects indicated in the request are critical to the fielding of the ground combat units and AH-64 Attack Helicopter battalions.

The establishment of the Combat Maneuver Training Complex (CMTIC) at Hohenfels will allow USAREUR armor and mechanized infantry battalions to train in a realistic battlefield environment. The construction included in this request is required to achieve the goal of being fully operational in 1991.

We again ask for construction of facilities to improve the living and working conditions of our soldiers in Europe. This request will allow continuation of our effort to "get our soldiers out of the mud" and improve their quality of life. This is necessary not only to assure that we have a highly motivated, ready force in Europe, but to protect the investment we have in weapons and equipment as well.

These issues have the full support of the Commander-in-Chief (CINC), U.S. Forces, Europe. The fact that the fiscal year 1989 request for Europe represents an increase of \$94,000,000 above the fiscal year 1988 Appropriation is a result of strong CINC involvement with the Military Construction program in Europe.

CHEMICAL DEMILITARIZATION

For several years we have been researching the best method of disposing of the Nation's stockpile of obsolete unitary chemical munitions. With the production of newer, safer binary munitions (initiated in December 1987) the corresponding demolition of these older chemicals can now be addressed. A report on the Defense Chemical Demilitarization plan is being finalized by the Department and, pending approval of this plan by the Congress, construction of a portion of the facilities required for processing the disposal of these munitions can begin in fiscal year 1989. The Army, as Executive Agent for this program, will provide for the disposal of munitions from all Services and take the lead in solving this national problem.

U.S. ARMY SCHOOL OF THE AMERICAS

This request includes \$24,000,000 for the permanent stationing of the U.S. Army School of the Americas at Fort Benning, Georgia. The school will develop and conduct military education and training using U.S. doctrine, in Spanish, for foreign officers to achieve a higher level of military professionalism and effectiveness in Latin America. This project is the result of an extensive study of possible locations for the school around the country. The preliminary phase of this project was authorized in fiscal year 1988 and the fiscal year 1989 request will complete the construction and renovation necessary to operate this school. The project at Fort Benning represents the least cost alternative for locating this school in the United States.

CURRENCY REVALUATION IMPACTS

The decline of the dollar is devastating to our construction program. Previous programs have been budgeted at rates as high as 2.99 DM per dollar. The contracts that have been awarded and obligated at the prior, higher rates are now actually being paid out at a much lower rate for work as it is being constructed — recently 1.65 DM per dollar. An analysis of the impact, at this rate, on the fiscal year 1988 and prior authorized programs indicates a total MCA deficit of approximately \$144,000,000 during fiscal year 1988 alone. The request for fiscal year 1989 is budgeted at 2.06 DM per dollar in accordance with the Office of Management and Budget Guidelines. If the actual payout is at today's rates, we will suffer a program loss, in Germany, of \$68,398,000.

In fiscal year 1987 a currency fluctuation account was established within the Department of Defense; however, there was no funding associated with this account and we initially capitalized this with the limited unobligated balances accrued in prior years. The fiscal year 1988 appropriation to offset currency deficiencies provides partial relief, however, the Army is forced to apply its share to the "must pay" Family Housing Operations account. We will continue the practice of deferring the awards of some projects this year in order to avoid an overobligation within this appropriation. We did a similar strategy last year and, fortunately, did not have to cancel any approved projects due to currency losses. I am not optimistic that we can avoid cancellation of projects this year.

I am bringing this to your attention as a problem that we again have to face, jointly. This is the most critical problem we have in awarding and constructing the program requested.

BUDGET REQUEST ANALYSISOVERVIEWMILITARY CONSTRUCTION, ARMY

The fiscal year 1989 MCA budget request, as amended, includes a request for new authorization of \$973,000,000 along with a companion request for total obligational authority of \$1,144,300.

The difference in the Authorization and Appropriation requests is due to the previously authorized construction at Fort Drum, New York (\$214,000,000), fiscal year 1988 authorization of high priority projects in Germany for which appropriation could not be provided that year due to budget constraints (\$35,300,000) and the Area Oriented Depot at Red River Army Depot, Texas for which total authorization of \$88,000,000 is requested, however, only partial appropriation of \$10,000,000 is required this year. This is summarized as follows:

	<u>(\$ 000)</u>
Previous Authorizations:	249,300
Fort Drum	(214,000)
Europe Projects	(35,300)
 New Project Authorization:	 973,000
 Less Advance Authorization	 -78,000
Appropriation Requested	1,144,300

The difference in the authorization and appropriations request, by facility category, is shown below:

TABLE 1
FY 89 MCA

<u>FACILITY CATEGORY</u>	<u>AUTHORIZATION (\$000)</u>	<u>APPROPRIATION (\$000)</u>
Operations and Training	163,372	377,372
Maintenance and Production	312,470	333,470
Research, Development, Test and Evaluation	34,860	34,860
Supply & Administrative	166,900*	88,900
Unaccompanied Housing	57,200	57,200
Community	37,920	39,720
Utilities & Real Estate	85,750	98,250
Design/Minor	<u>114,528</u>	<u>114,528</u>
Total	973,000	1,144,300

* Includes advance authorization

TABLE 2 shows the facility categories in which funds are requested and the percentage of the construction dollars by category.

TABLE 2 - FISCAL YEARS 1989
MILITARY CONSTRUCTION, ARMY, PROGRAM
FACILITY CATEGORY SUMMARY

<u>FACILITY CATEGORY</u>	<u>FY 1989</u>	
	<u>COST (\$000)</u>	<u>PERCENTAGE</u>
Operations and Training	377,372	33
Maintenance and Production	333,470	29
Research, Development, Test and Evaluation	34,860	3
Supply & Administrative	88,900	8
Unaccompanied Housing	57,200	5
Community	39,720	4
Utilities & Real Estate	98,250	8
Design/Minor	<u>114,528</u>	<u>10</u>
Total	1,144,300	100

TABLE 3 shows the fiscal year 1989 distribution of the appropriation request among major commands in the United States and overseas. Construction projects in the United States account for \$650,452,000 or fifty-seven percent of the budget request. Construction projects outside the United States total \$378,320,000 or thirty-three percent. This year's request for access roads, planning and design, and unspecified minor construction totals \$115,528,000 or 10 percent.

TABLE 3 - PROPOSED FISCAL YEAR 1989
MILITARY CONSTRUCTION, ARMY, PROGRAM
COMMAND SUMMARY

<u>COMMAND</u>	<u>COST (\$000)</u>	<u>PERCENTAGE OF TOTAL</u>
<u>INSIDE THE UNITED STATES</u>		
Forces Command	372,040	32.5
Training and Doctrine Command	50,562	4.4
Army Materiel Command	173,900	15.2
Western Command	7,200	0.1
Intelligence Command	800	0.5
US Military Academy	19,750	1.7
Information Systems Command	14,500	1.2
Army Health Services Command	8,100	0.7
Other	<u>3,600</u>	<u>0.3</u>
Total	650,452	56.8
<u>OUTSIDE THE UNITED STATES</u>		
US Army, Europe	276,510	24.2
Eighth US Army, Korea	34,920	3.1
Strategic Defense Command	15,490	1.4
Forces Command	21,950	1.9
US Army, Japan	7,900	0.7
Information Systems Command	5,300	0.5
Southern Command	3,050	0.3
Intelligence Command	5,300	0.5
Other	<u>7,900</u>	<u>0.7</u>
TOTAL	378,320	33.3
<u>OTHER</u>		
Access Roads	1,000	0.1
Planning and Design	98,328	8.6
Unspecified Minor Construction	<u>16,200</u>	<u>1.4</u>
TOTAL	115,528	10.1
Total obligation authority requested:	1,144,300	100.2*
* Do not add due to rounding		

SUMMARY

Mr. Chairman, in summary, the fiscal year 1989 Military Construction Army, budget request for appropriation of \$1,144,300,000 will realize the Army goals to support Army, Defense and National initiatives, get equipment out of the mud, provide adequate housing for soldiers, eliminate obsolete and deficient work areas, meet statutory and regulatory requirements, and continue to send a message to our soldiers that the government cares. Approval of this request will continue the efforts of the Army and Congress, to provide modernized facilities enabling us to attract and retain quality soldiers and maintain worldwide operational readiness and fighting ability.

Sir, this concludes my statement on Military Construction, Army. Now, I would like to discuss Army Family Housing. The fiscal year 1989 request sustains efforts started in prior years to improve the operational readiness of the Army while, at the same time, provide quality of life improvements necessary to attract and retain dedicated individuals to serve in the Army. Adequate family housing continues to be one of our top priorities. The fiscal year 1989 budget request reflects the Army's commitment to provide suitable housing for our soldiers and to maintain the quality of the facilities entrusted to our stewardship.

ARMY FAMILY HOUSING (AFH) OVERVIEW

The fiscal year 1989 AFH budget includes a request (TABLE I) for \$1,528,271,000 in new appropriation.

**TABLE I - PROPOSED FISCAL YEAR 1989
ARMY FAMILY HOUSING PROGRAM
AUTHORIZATION AND APPROPRIATION SUMMARY**

FACILITY CATEGORY	FY 89	APPROPRIATION
	(\$000)	
New Construction	105,250	
Improvements	72,300	
Planning and Design	10,628	
Operations	279,616	
Utilities	284,265	
Maintenance	548,061	
Leasing	227,700	
Debt Interest	80	
Debt Principal	371	
TOTAL	1,528,271	

HOUSING PROGRAM ACCOUNTS

The Army Family Housing budget request includes resources for Army's new construction requirements, some improvements to our aging housing inventory, planning and design of future construction projects, and to fund the annual costs of operating, maintaining, and leasing housing units for military families. This request does not, however, provide adequate resources to perform all needed maintenance work, adding to the growing backlog of deferred maintenance and repair projects. TABLE II summarizes the budget changes from FY 1988.

**TABLE II - ARMY FAMILY HOUSING
FISCAL YEAR 1989 BUDGET SUMMARY
BUDGET SUMMARY CHANGES**

FACILITY CATEGORY	PERCENT INCREASE/DECREASE FY 89 OVER FY 88	PERCENT OF TOTAL APPROPRIATION
New Construction	-41.2	6.9
Post Acquisition Construction	-31.1	4.7
Planning & Design	-51.5	.7
Operations	+17.7	18.3
Utilities	+3.6	18.6
Maintenance	+3.4	35.9
Leasing	+8.3	14.9
Debt Interest	-50.0	*
Debt Principal	-86.5	*

*Less than .1 percent

NEW CONSTRUCTION

Army policy directs that the first source for providing family housing will be the civilian community. The concept of the Variable Housing Allowance (VHA) supports this policy. The Army's execution of the two test programs approved under Sections 801 and 802 of Public Law 98-115 also fully supports this policy. However, at locations where off-post housing is not available or too costly or substandard, the Army must take positive steps to provide adequate housing for military families. New construction is programmed only when these conditions exist and it is the more economical alternative.

TABLE III shows the projects requested for construction of family housing. These projects are for critically needed dwelling units in the United States to fulfill the stationing requirements of the 6th and 10th Light Infantry Divisions, for necessary family housing at Fort Irwin, where there is no off-post housing, and on Oahu where off-post housing is scarce and expensive, and for the replacement of substandard units at Fort Leavenworth. Overseas construction at Hohenfels, Germany, where the off-post housing is very scarce, is in support of new training facilities for our forward deployed combat forces. Funding is also requested to convert unused attic space and upgrade 14 existing temporary units to obtain 48 new dwelling units at Augsburg, Germany.

TABLE III - ARMY FAMILY HOUSING
NEW CONSTRUCTION
FISCAL YEAR 1989 BUDGET REQUEST

<u>LOCATION</u>	<u>NUMBER OF UNITS</u>	<u>REQUEST FOR APPROPRIATION</u>
<u>New Family Housing Construction</u>		
Fort Drum, NY	100	10,000
Heleman, HI	100	11,400
Fort Irwin, CA	263	24,000
Fort Leavenworth, KS	272	20,000
Schofield Barracks, HI	40	4,450
Fort Wainwright, AK	150	27,000
Hohenfels, FRG	88	8,400
Subtotal	1,013	105,250
<u>Attic conversions to Family Housing</u>		
Augsburg, FRG	34	0*
Total	1,047	105,250

*Funded in the Post Acquisition Construction Account

POST ACQUISITION CONSTRUCTION

The post acquisition construction program consists of whole house renewals and improvements to the current inventory to bring them up to contemporary standards, modernize obsolete systems, and upgrade substandard quarters. Due to the aging of our inventory, we must continue to place emphasis on this type work. In doing so, we will protect the government's investment and provide long lasting benefits to our soldiers and their families.

Specifically, this request will provide improvements to approximately 2,550 units at worldwide locations. Included in these will be whole house renewal projects for 616 units and smaller selected improvements to 1,935 units worldwide. Funding will also correct substandard housing conditions by converting 671 substandard housing units into 628 adequate units, and 14 temporary units and empty attic space into 34 new apartments in Germany.

OPERATION AND MAINTENANCE

The operation, utility and maintenance programs comprise the majority of the FY 89 budget request. The funding requested for these programs partially funds the Army's "cost of ownership," defined as the annual expenditures necessary to provide municipal-type services and utilities, to maintain the existing family housing inventory in order to protect the Army's investment, and to provide overall stewardship of the family housing mission. Cost of ownership does not include that maintenance and repair work which was deferred in prior years due to insufficient funding, or post acquisition investment projects. Fiscal year 1989 request continues programs which were in effect

during previous years and resources 79 percent of maintenance and repair requirements.

Generally, the cost of ownership funding for fiscal year 1989 increased 3.5 percent for inflation and pay raises over the fiscal year 1988 program. Other increases to the FY89 funding requirement result from our attempt to restore funding shortfalls in fiscal year 1988 due to the declining value of the dollar. This budget request restores some of the maintenance funding lost during fiscal year 1988 in order to continue our efforts to fix our aging, deteriorating inventory. This request also continues funding for the installation, operation and maintenance of an Army-wide computer system, Housing Operations Management System (HOMES), which is improving many phases of housing management. Due to continued management emphasis and the impact of previously approved energy conservation projects, a reduction in energy consumption has been factored into the utilities request. A continuing objective of the operation and maintenance program is the improvement of living conditions for military families throughout the world by accomplishing the annual maintenance and repair of our inventory. However, this budget request will not accomplish all work which is needed to meet this objective.

DEFERRED MAINTENANCE

Deferred maintenance is that maintenance and repair work which was scheduled for accomplishment in a prior fiscal year annual work plan, but could not be accomplished due to insufficient funding. Foreign currency losses and fiscal constraints since fiscal year 1986 created funding shortfalls which resulted in the deferral of more than \$300,000,000 of maintenance projects since that time. In the short-term, deferring projects is the least harmful way of meeting the federal deficit reduction goals and paying for currency losses.

LEASING

Another way of adequately housing our military families is the leasing program. Our program includes domestic leases (Section 801 and temporary domestic), Section 802 rental guarantee housing, and foreign leases. The temporary domestic leasing program for fiscal year 1989 requests appropriation of \$9,733,000 and the Section 801 program requests appropriation of \$42,457,000. In the foreign leasing program, we request appropriation of \$175,510,000 in fiscal year 1989.

Our total leasing program appropriation request supports an average of 22,652 units to satisfy requirements in the United States, Europe, Korea, and Panama.

SUMMARY

Mr. Chairman, in summary, I would like to emphasize that the Army's fiscal year 1989 family housing budget request reflects the needs of the service and supports the programs presented by the Secretary of the Army and the Chief of Staff, Army. This request emphasizes readiness, the Army's efforts to improve our soldier's quality of life, and wise, careful stewardship of our existing inventory. It includes those projects of highest priority which can be accomplished within fiscal realities. Approval of this request will enhance the Army's ability to enlist and retain quality soldiers and improve the Army's operational readiness and war fighting capability.

Sir, this concludes my statement. I would be pleased to answer any questions or arrange for answers to be inserted in the record.

MAJOR GENERAL PETER J. OFFRINGA

Major General Peter J. Offringa was born 30 January 1939 at Trenton, New Jersey. General Offringa is currently serving as the Assistant Chief of Engineers in the Office of the Chief of Engineers.

Prior to this assignment, he served as Deputy Director, Civil Works, Office of the Chief of Engineers, Washington, D.C.

General Offringa is a 1961 graduate of the U.S. Military Academy, West Point, New York, with a Bachelor of Science degree in Military Science. He received a Master of Science degree in Applied Science from the University of California at Davis in 1967. He is also a graduate of the U.S. Army Command and General Staff College and the Air War College.

He has held numerous responsible command and staff assignments, both in the United States and overseas. These major assignments include serving as Commanding General, Ohio River Division, U.S. Army Corps of Engineers; Senior Fellow, Executive Seminar in National and International Affairs, Foreign Service Institute, Rosslyn, Virginia; Director of Engineering and Housing, V Corps, U.S. Army Europe; Commander, 130th Engineer Brigade, V Corps, U.S. Army Europe; Faculty Member, Air War College, Maxwell Air Force Base, Alabama; Special Assistant to the Assistant Division Commander (Support), 2d Armored Division, Fort Hood, Texas; Commander, 17th Engineer Battalion, 2d Armored Division Fort Hood, Texas; Chief, Organizational Management Branch, Staff Management Division, Office, Chief of Staff, United States Army, Washington, D.C.; Staff Officer, Systems Management Branch, Requirements Integration Division, Office, Assistant Chief of Staff for Operations and Plans, U.S. Army, Washington, D.C.; Assistant Division Engineer, 101st Airborne Division (Airmobile), Republic of Vietnam, and later Brigade Engineer, 3d Brigade (Separate), 1st Cavalry Division, Republic of Vietnam; Assistant Professor, Department of Chemistry, U.S. Military Academy, West Point, New York; S-3, Operations Officer, Headquarters, 168th Engineer Combat Battalion, U.S. Army, Pacific; Commander, Company A, 23d Engineer Battalion 3d Armored Division, U.S. Army, Europe; and Platoon Leader, Company A, and later Liaison Officer and Atomic Demolitions Officer, Headquarters, 23d Engineer Battalion, 3d Armored Division, U.S. Army, Europe.

General Offringa was assigned to the Chief of Engineers with duty as the Assistant Chief of Engineers in February 1988.

FACILITIES STRATEGY

Maximize facilities utilization.

Maintain what we own, and contain maintenance and repair backlogs.

Meet regulatory/environmental requirements.

Renew/rehabilitate outdated facilities.

Last choice: Provide new facilities.

General OFFRINGA. This first chart shows the strategy to which Mr. Owen referred when he made his opening statement, and fundamentally it is the guidance with which the Army puts together its budget. We attempt to maintain what we own, to upgrade those things that need upgrading, and to build new things only when we are unable to provide needed facilities through those earlier steps.

FISCAL YEAR 1988-89 MILITARY CONSTRUCTION, ARMY SUMMARY

[In millions of dollars]

	Fiscal year—		
	Approved 1988	Requested	
		1989	1989 amended
MCA	1,199	1,487	1,144
AFH	1,561	1,875	1,528
HOA	3	2	2

These are the numbers of the budget. As you can see, we are down considerably from our fiscal year 1989 initial request in both family housing and in military construction.

MILITARY CONSTRUCTION, ARMY APPROPRIATION REQUEST

[In millions of dollars]

	Fiscal year—		
	Approved 1988	Requested	
		1989	1989 amended
Appropriation request	977,600	1,273,300	930,300
Advance appropriation	221,000	214,000	214,000
Total	1,198,590	1,487,300	1,144,300

As you know, this is the third year of the advanced appropriation for Fort Drum, and so our actual new appropriation request is about \$930 million.

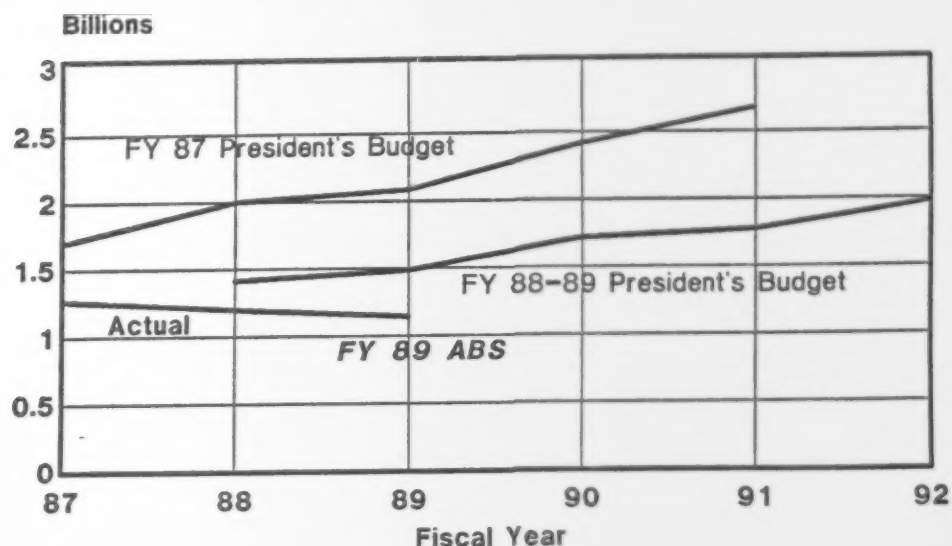
MILITARY CONSTRUCTION. ARMY PROGRAM BY CATEGORY OF FACILITIES

[Percent of program]

	Fiscal year—			
	Approved		Requested	
	1987	1988	1989	1989 amended
Operations and training.....	26	31	21	33
Unaccompanied housing.....	22	12	18	5
Maintenance.....	15	15	24	29
Community.....	4	5	6	4
Supply and administration.....	7	8	8	8
RDT&E.....	2	4	2	3
Utilities and real estate.....	12	14	11	8
Design/minor.....	12	11	10	10

This breaks out our program by category. It shows that most of our request for fiscal year 1989 is going into operations and training and maintenance facilities.

Military Construction, Army



The next chart shows a steady decline from the President's budget of 1987 to the actual amended budget submit that we have submitted this year, and it shows that we have declined significantly since we started our budgetary planning.

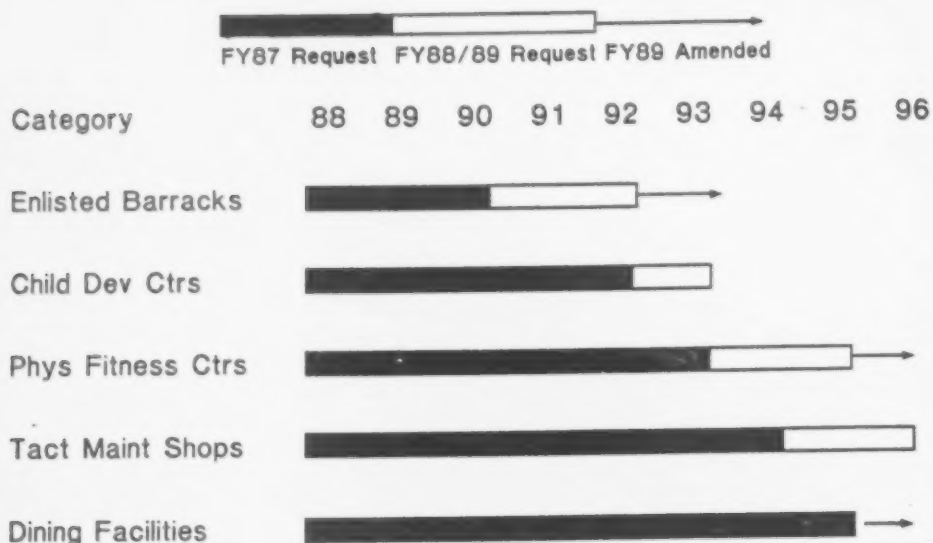
MILITARY CONSTRUCTION, ARMY REAL GROWTH

[Dollar amounts in thousands]

	1987	1988	1989
Request		\$1,198,590	\$1,144,300
Inflation cost		-\$42,766	- 81,219
Currency cost (program year only)		-\$46,000	-\$69,000
Total (adjustment)	\$1,266,739	\$1,109,824	\$994,081
Real growth (in percent)	Baseline	- 12	- 10
Real growth fiscal year 1987-89 (in percent)			(- 21)

If we convert that into real terms and take into consideration the projected currency costs from our construction overseas, you can see that our total decline in real terms is a minus 21 percent from 1987 to 1989.

Facility Requirement Buy-Out



And as a result of that, our facilities requirement buyout program that we had generated has been extended in the area of enlisted barracks, physical fitness centers, and dining facilities, although we have made a concerted effort to maintain our buyouts in both child development centers and in tactical maintenance shops.

BARRACKS: MISSION—SUSTAIN MOTIVATED. EFFICIENT FORCE

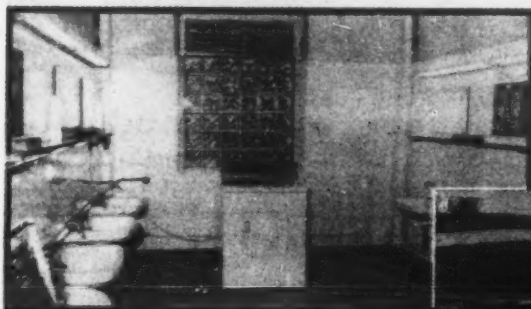
[Dollar amounts in millions]

Fiscal year	Spaces	Amount
Approved:		
1986.....	18,212	\$375
1987.....	16,899	\$213
1988.....	6,589	\$123
Requested 1989.....	12,410	\$203
Amended 1989.....	3,228	\$53

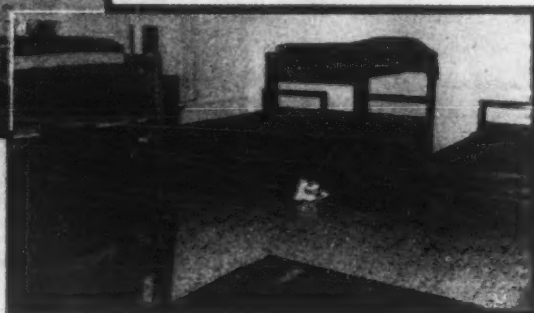
I would like to break down just a few of those categories that we discussed. We are down considerably in our barracks request for this year. This was one of the hard choices that we had to make as we went through the budget scrub going from the 1989 submit to the 1989 amended.

Vilseck, Germany

Barracks — Currently Available Facilities



Common Bathroom



Bedroom

Therefore, things such as the common bathroom shown in this slide here and the crowded bedrooms in Vilseck, those facilities will not be fixed as quickly as we would like.

New Enlisted Personnel Barracks Ft Story, VA



Of course, our goal would be to reach a standard such as the one shown here, where the soldier at Fort Story, VA, has indeed a good facility in which to live.

FITNESS AND FAMILY CARE: MISSION—RETAIN HIGHLY TRAINED, MOTIVATED FORCE

[Dollar amounts in millions]

Fiscal year	Child development centers		Physical fitness	
	Number	Amount	Number	Amount
Approved:				
1986.....	19	\$40	5	\$12
1987.....	14	19	4	8
1988.....	11	33	2	12
Requested 1989.....	17	35	3	24
Amended 1989.....	11	25	2	9

In fitness and family care programs, we made a concerted effort, as Mr. Owen indicated, to maintain the number of child care centers and to take care of those that had life safety deficiencies, and also to maintain the Army's continued emphasis upon physical fitness.

Child Development Center Current Facility at Rock Island Arsenal, IL



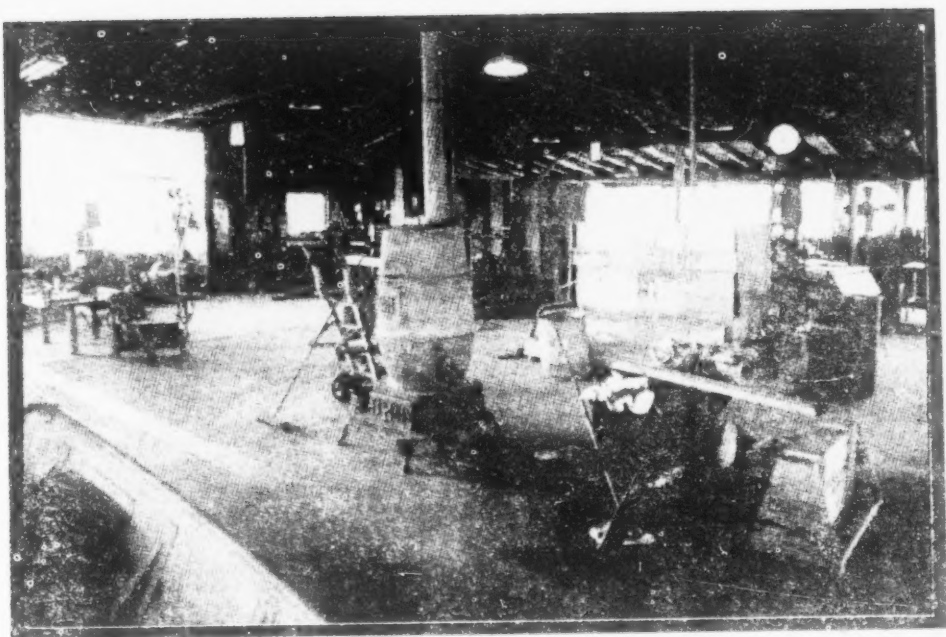
We are trying to eliminate such child care facilities as this one, which is currently in a barn at Rock Island Arsenal, and that is in the program to be corrected in fiscal year 1989.

MAINTENANCE: MISSION—ENSURE EFFICIENCY OF FORCE—PROTECT INVESTMENT IN EQUIPMENT

[Dollar amounts in millions]

Fiscal year	Tactical equipment shops	Amount
Approved:		
1986.....	44	\$242
1987.....	21	100
1988.....	9	105
Requested 1989.....	23	142
Amended 1989.....	17	118

Tactical equipment shops are the bedrock of our maintenance programs to get the most out of our equipment at the least cost. We tried to protect funding for those facilities, particularly in support of fielding of new weapons systems, so our program did not get reduced quite as much in that area as in others.



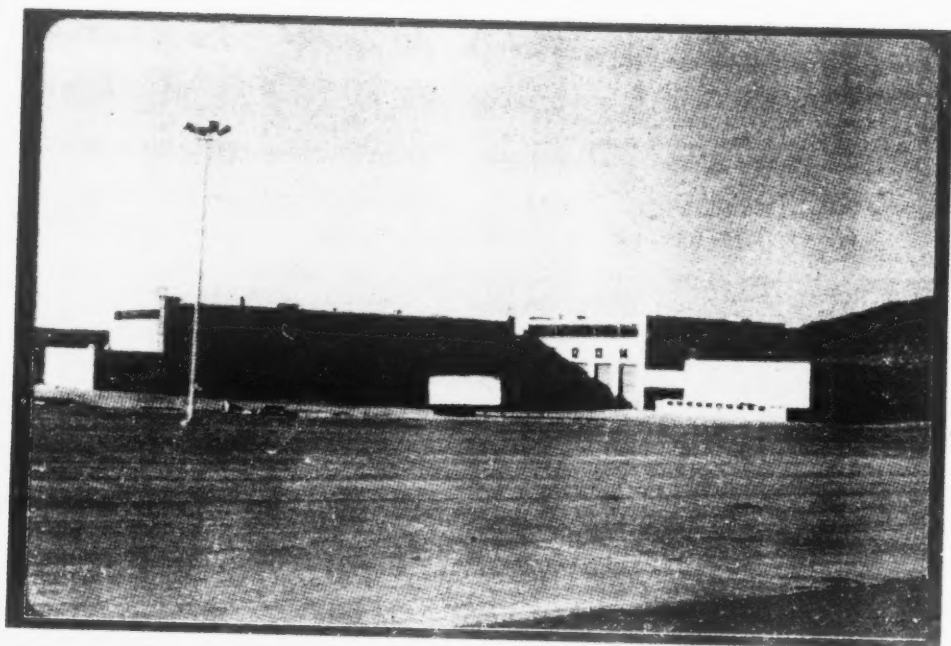
This is the sort of maintenance facility that we are trying to eliminate at Fort McClellan, AL. You will note the antiquated heating system.

Senator SASSER. I have not seen a pot-bellied stove like that in a long time, General.

General OFFRINGA. That is a pot-bellied stove.

Senator SASSER. Yes; they do add a certain quaintness to the environment, there.

General OFFRINGA. Yes, sir; I would point out, however, that quaintness does not provide quality maintenance.



This is one of the facilities that we have been able to provide our soldiers with your support, and this is the sort of facility that we would like.

Senator SASSER. Where is that facility located?

General OFFRINGA. This is at Fort Carson, CO, sir.

Senator SASSER. Is that a maintenance shop?

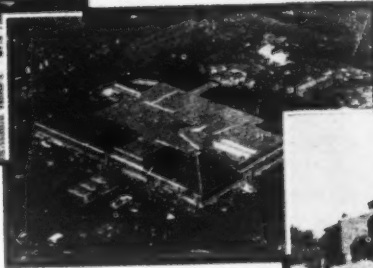
General OFFRINGA. Yes, sir.

I would like to point out just a few of the major program highlights.

Ft Drum, New York



1st Brigade Complex



Info Systems Facility



Fire Station

On-Going Construction

I had already mentioned the ongoing construction at Fort Drum, in its third year of a three-phased project. I am very happy to report that the construction there is on schedule, and we are getting very, very high quality products from our contractor at Fort Drum. We anticipate moving the first troop units of the new light division in there early this fall.

HIGHLIGHTS IN EUROPE

[Dollar amounts in millions]

Location and mission	Number of projects	Amount
Rheinberg—Reichel complex	2	\$12.4
Vilseck—Stationing	8	51.6
Various—Aviation restationing (AH-64)	8	66.4
Hohenfels—Combat maneuver training complex	9	36.9
Various—Hardstand	15	27.0
Total	42	194.3

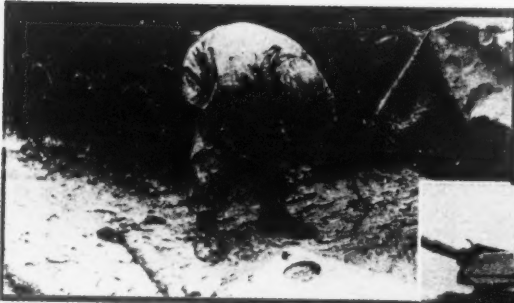
This shows the European program, which is tied to the Commander in Chief's priorities, primarily to support the stationing of the attack helicopters with hard stand and maintenance facilities for this highly sophisticated piece of equipment.

The Vilseck stationing initiative is to provide space for the helicopters by moving combat elements forward to Vilseck. The Reichel complex, as pointed out by Mr. Owen, is in support of the 10 divisions in 10 days commitment that we have made to the Germans.

And at Hohenfels, we are attempting to put together a combat maneuver training complex that will provide to our soldiers in Europe the same high quality training that we are currently getting for our soldiers here in the United States at the national training center.

Hohenfels, Germany

Combat Maneuver Training Complex — Vehicle Maintenance



No Existing Facilities



These are the kinds of conditions that we are attempting to eliminate in Hohenfels by some of the construction that is in this year's program.

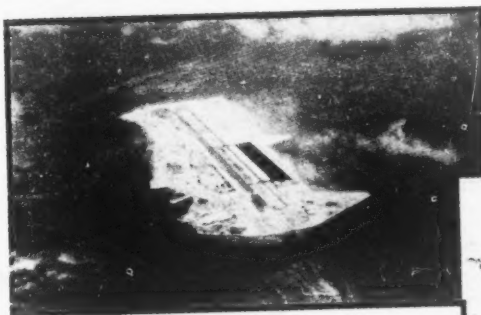
Chemical demilitarization

[Army is executive agent for defense]

Training facility, Aberdeen Proving Ground, MD.....	\$8,400,000
Ammunition demil facility, Tooele Ammunition Depot, UT	49,600,000
Total.....	58,000,000

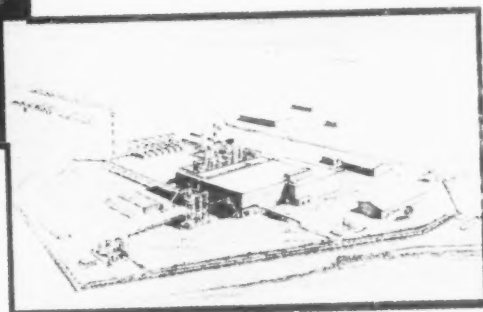
Mr. Owen mentioned the chemical demilitarization program, a very important part of our budget, with two projects, at Aberdeen and Tooele, scheduled for fiscal 1989.

Chemical Demilitarization Facilities



Johnston Atoll

Disposal Facilities
Under Construction



The type of facilities that we will construct will be similar to the one currently constructed at Johnston Atoll.

OTHER FISCAL YEAR 1989 MCA PROGRAM HIGHLIGHTS

[In millions of dollars]

	Amount	Authorization request
School of the Americas, Fort Benning, GA	24.0.....	
Central distribution center, Red River AD, TX	10.0.....	(88.0)
Test and evaluation center, Fort Huachuca, AZ	5.4.....	

Three final highlights: The School of the Americas, already mentioned by Mr. Owen; central distribution at Red River; and the test and evaluation facility at Fort Huachuca.

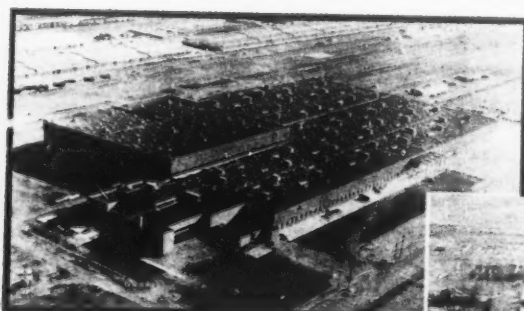
US Army School of the Americas

Ft Benning, GA



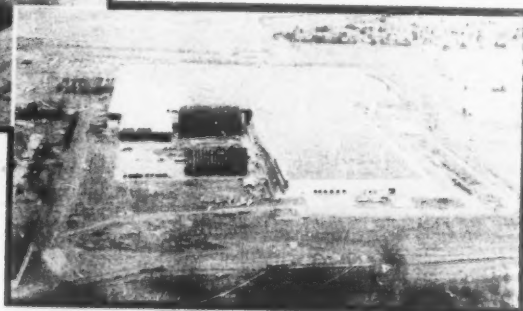
This shows the new School of the Americas. A good percentage of the funding requested for this is to move existing office facilities out of that building and into other buildings, so that we can open that up for schooling purposes.

Area Oriented Depots



Sharpe Army Depot, CA

**New Cumberland
Army Depot, PA**

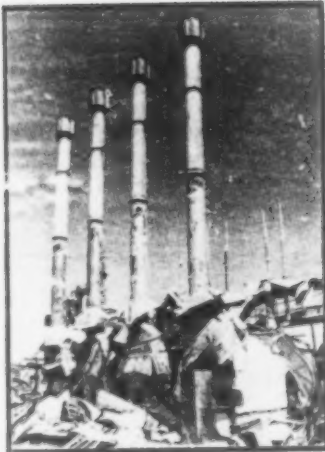


Our facility at Red River will be similar to the one already built at Sharp and New Cumberland, and will provide us great efficiencies in the handling of repair parts and supplies.

Fort Huachuca, Arizona

Fire Loss: 1 Heating Plant
22 Buildings

Requirement: Construct a Test and
Evaluation Center



And finally, a test and evaluation center at Fort Huachuca will provide facilities to better house some of the people who were supported by the heating plant which was destroyed in the recent fire.

AFH PROGRAM STRATEGY

Fund cost of ownership.
Reduce deferred maintenance and repair [DMAR].
Improve existing inventory.
Eliminate programmable deficit.

Moving to the family housing program, I would like to show our strategy, which is primarily, as indicated by Mr. Owen, to fund the costs of ownership and to ultimately eliminate our programmable deficit. And this year's program will add to our already increasing inventory.

AFH STATISTICS

[Dollar amounts in billions]

	End fiscal year—		
	1987	1988	1989
Total inventory	175,862	180,370	184,029
Owned	(157,118)	(158,315)	(159,669)
Leased (domestic/foreign).....	(18,744)	(22,055)	(24,360)
Estimated value.....	\$13	\$13	\$14
Average age (years).....	30	31	32

I think the message from this slide is that the inventory has increased with the funding that your committee has provided us over the past few years. We now have an inventory that is up to 184,000. However, that inventory is aging and, therefore, our maintenance requirements are increasing.

AFH COMPARISON

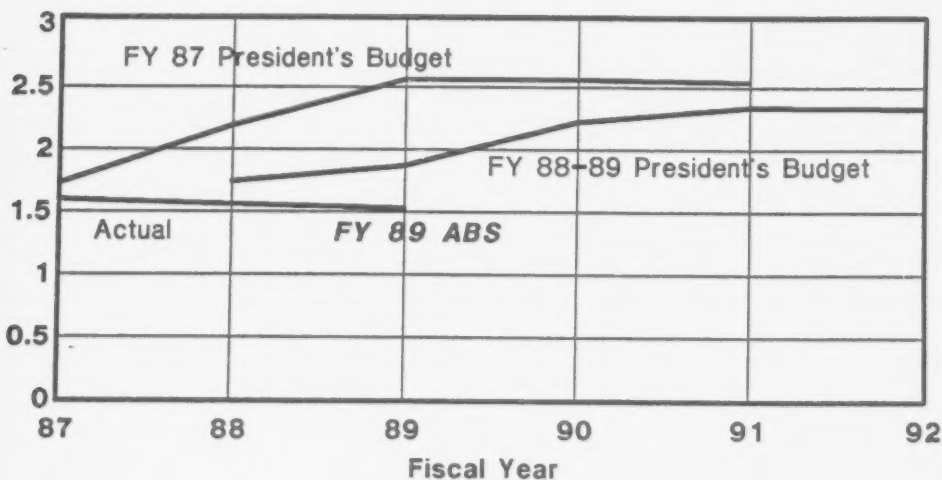
[In millions of dollars]

	1987 program	1988 program	1989 request	1989 amended
Investment accounts.....	379.7	305.9	455.2	188.2
O&M accounts.....	1,210.3	1,252.2	1,418.9	1,339.6
Debt (interest and principle).....	8.0	2.9	0.5	0.5
Total.....	1,598.0	1,561.0	1,874.6	1,528.3

A comparison of this year's program with previous year programs shows that in following our strategy we attempted to maintain the levels of our maintenance accounts. As a result, our investment account this year is lower than it has been in the past.

Army Family Housing

Billions



And in terms of trends, again you can see that the trend line for the amended submission is considerably down from what we thought we would have in the 1987 and in the 1988-89 President's budgets.

ARMY FAMILY HOUSING REAL GROWTH

[Dollar amounts in thousands]

	1987	1988	1989
Request.....		\$1,558,300	\$1,527,900
Inflation cost.....		-\$52,700	-\$101,600
Currency cost (program year only).....		-\$72,000	-\$84,500
Total (adjustment).....	\$1,590,400	\$1,433,600	\$1,341,800
Real growth (in percent).....	Baseline	- 10	- 7
Real growth fiscal year 1987-89 (in percent).....			(- 16)

These figures represent the request for 1989 and indicate again in real terms that, with currency and inflation taken out, our net increase is down in real terms by 16 percent.

FISCAL YEAR 1989 HIGHLIGHTS

Partially funds costs of ownership:

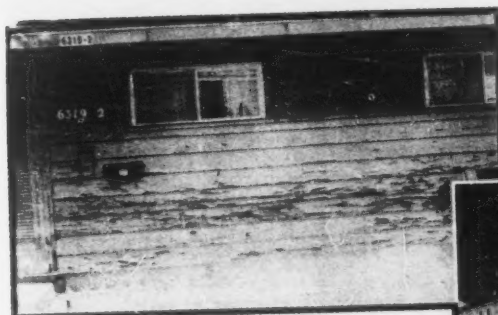
Defers furniture buyout to 1992.

Increases DMAR from \$718 million to \$857 million.

Phases out domestic, defers 801 leasing.

A few highlights. This year's program does partially fund the cost of ownership, although we have had to defer some furniture buyouts. Our DMAR will increase slightly, and we will be phasing out a number of domestic leases.

Family Housing Maintenance & Repair



Ft Hood, TX

New Siding
Ft Sheridan, IL



This is what our maintenance dollars do, eliminating the siding problem shown at Fort Hood, TX, and providing housing of the quality shown at the Fort Sheridan illustration.

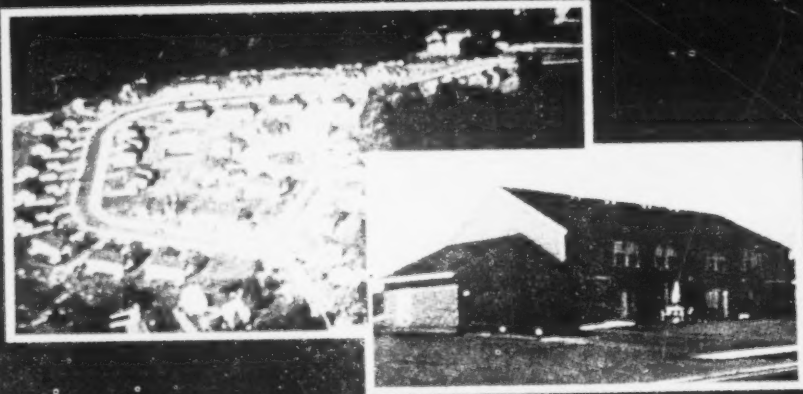
Foreign Build-to-Lease Glessen, GE



Overseas, the build-to-lease program continues to provide needed housing for our soldiers and eliminates the need for them to go out on the economy for rental quarters.

Ft Drum, New York

"801" Housing (Off Post)



In the 801 program at Fort Drum, I talked to General Carpenter, the Commander at Fort Drum, several days ago. He termed it a great success in terms of quality and provision of housing for his soldiers.

801 (Build-to-Lease) Family Housing Ft Wainwright, Alaska



And of course, at Fort Wainwright we continue to build 801 to support the 6th Light Division at that location.

FISCAL YEAR 1989 HIGHLIGHTS

Provides minimal improvements to existing inventory.

Upgrades 628 substandard units (defers buy out from 1990 to 1992).

Does 616 whole house renewals (0.4 percent of inventory, 250-year cycle).

Modernizes portions of 1,935 units.

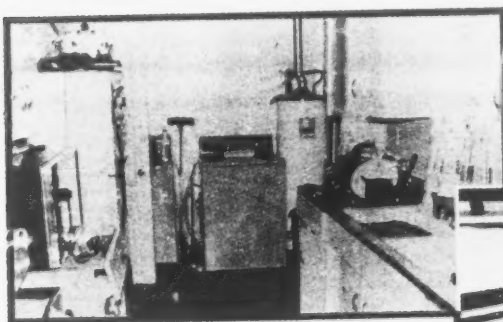
Upgrades some exterior utility systems.

Other highlights are that we are providing minimal improvements to our existing inventory by upgrading substandard units and doing whole house renewals.

"Whole House" Renewal Germany



Substandard Upgrade Program Ft Ord, CA



This is a program that I think pays big dividends if we can provide our soldiers and their families with kitchens that are modern, rather than the cramped and crowded ones shown in the slide at Fort Ord, or if we can take houses in Germany and, by making whole house renewals, can provide sufficient square footage for adequate use.

FISCAL YEAR 1989 HIGHLIGHTS

Upgrades 14, adds 34 new attic apartments.

Provides 1,013 new housing units: Fort Irwin, CA—263 new; Fort Leavenworth, KS—272 replacement; Fort Drum, NY—100 new; Fort Wainwright, AK—150 new; Oahu, HI—140 new; and Hohenfels, Germany—88 new.

And finally, we are providing 1,000 new housing units, all of them new except that at Fort Leavenworth, KS, we are replacing substandard units with 272 new units.

Family Housing New Construction



Aberdeen, MD



Ft Irwin, CA



Ft Polk, LA

We are getting quality and good construction, as shown by the examples on this slide.

U.S. Manufactured Housing Wildflecken, GE

Family Housing New Construction



We are providing good quality housing to the soldiers in Germany using United States manufactured-type housing which is shipped overseas, a great boon to us in the time where our dollar is weak against the deutschemark.

Ft Drum, New York

AFH FY 86 — New Construction

Non-Commissioned Officers Quarters



And finally, at Fort Drum, we continue to provide new construction to support and supplement the 801 program we have there.

AFH SUMMARY

Minimum program, compounded by: Currency losses; extended buy outs; and asbestos/radon fixes.

So in summary, this year's program in housing is a minimum program, compounded by currency losses and extended buyouts. And I would also like to highlight for you a new challenge that we are facing in the removal of asbestos and in the searching for radon and the fixing of any radon problems that we may have.

MILITARY CONSTRUCTION SUMMARY APPROPRIATION REQUEST

[In millions of dollars]

	MCA	AFH
Fiscal year 1988 enacted	1,199	1,561
Fiscal year 1989 amended request	1,144	1,528

With that and the summary shown on this chart, which shows our 1988 and 1989 program, I will terminate this briefing and Mr. Owen and I await your questions, sir.

AMERICAN COMMITMENT TO MILITARY FAMILIES

Senator SASSER. Well, thank you very much, General.

I think I should make the comment to you that the Army's budget is not without some risk, because clearly as your infrastructure ages, as you put off new construction, you are going to have to deal with this problem at a later date. And I think the decision to defer family housing is particularly challenging.

We have a commitment to our military families and I would hope that you would take another look at the priority being given to family housing construction in the future budgets. I think we are being penny wise and pound foolish in trying to skimp on these family housing commitments.

What you are recommending today is a 67-percent cut from your original request for new housing construction. As you were working on your fiscal year 1990, or as you are working on your fiscal year 1990-91 budget, are you planning to continue such a low level of family housing construction?

General OFFRINGA. Sir, we continue to maintain a commitment to try to provide adequate family housing for our soldiers. As I indicated, the cuts that we had to take were very painful in the construction account and were made primarily to maintain what we had and to upgrade those things that needed improvement.

And we are, as we go through the POM years—the Army's 5-year program which we are currently building—attempting to provide sufficient housing so that we can eliminate our programmable deficit.

Mr. OWEN. Might I add, Senator, that the level of cuts that we imposed on ourselves this year were of such a magnitude that, to be perfectly honest, we would certainly hope that it does not start us down a new track that we stay on.

The most senior levels of the Army will have to, throughout the process of rebuilding and working through that POM process, pay very close attention to this, just because of the level of cuts that we took this year. It's not a path-setter.

ARMY BUDGET PRIORITIES

Senator SASSER. I think the subcommittee is going to want to take a close look at your family housing plans for the future, as well as your submission here for fiscal year 1989.

You have a number of changes from the original submission. So we are going to have to look very carefully, I think, at the impact of these plans that you presented us.

Let me just say, I am most concerned by some of the priorities or the choice of priorities the Army has made within the reduced budget that you have submitted to the subcommittee.

You drastically cut the budget, but at the same time in that very sharply curtailed budget you are still requesting large overseas amounts. In fact, the budget before us today represents an increase of \$112 million over the amount that the subcommittee approved for construction in Germany last year.

The budget, as I examine it, asks that we allocate 27 percent of the budget for projects in Germany, when we only approved 17 percent for projects in Germany last year. So I am surprised that you would want to put such a proportion of the budgetary resources at risk, so to speak.

This subcommittee has a clear track record of supporting requests for projects here in the United States, instead of increases for projects overseas. Why do you continue to place such priorities on these overseas accounts?

Mr. OWEN. We recognize that, Senator, and discussed it at some length back in the Pentagon. We certainly recognized this subcommittee's particular interest in the direction of Conus versus Oconus, and in Germany in particular. There are three initiatives in Germany that have gotten underway, and if we do not complete them it would be a gross mismanagement of what has been put there to date and its impact would be highly detrimental if we were not to go ahead and lay out the fairly large amount of dollars.

Our fiscal year 1989 budget request also has several projects in Conus that are big dollar projects. The Germany projects have come on line at this time. The Vilseck community there is well underway.

I personally returned from there, as I believe the General did, in the last 2 to 3 weeks. To stop, to put the brakes on that now, would be absolutely foolish, we believe.

The Rheinberg facility, which I visited as well in the northern part of Germany, allows us to meet our 10 divisions in 10 days commitment.

We are in midstream there. It is difficult to cut it off. It would end up being much less cost effective to greatly reduce that dollar flow now. That is one of the reasons, sir, and several of these midstream projects are big dollar projects.

But we clearly have this subcommittee's message on Conus versus Oconus, and we recognize that it would be a subject that we certainly would be questioned on and grilled on, because we know that you feel very strongly about that.

Senator SASSER. Do you want to add to that, General Offringa?

General OFFRINGA. I would reinforce what Mr. Owen has indicated. We are really reaching a peak point here in terms of the support to the field with the new equipment, particularly the new attack helicopters, which as you know provides us a very needed night-fighting capability and antitank capability in Europe.

But I think that you are seeing the peak now of that initiative and the Velsick initiative, the Reichel initiative, and also the Hohenfels, which when finished should complete a lot of the major investment that we need to do to support these new ideas.

REDUCTIONS IN KOREA

Senator SASSER. Gentlemen, we have had all the bad news. Now let us talk about the good news. The subcommittee applauds your reductions in Korea. Clearly, the new government there is indicating more of a willingness to take over more of its own defense.

Quite frankly, I only wish that our friends in Europe would emulate what is happening in Korea.

But with regard to Korea, while you have chosen to cut proposed construction there by two-thirds, the budget submitted for defense agencies still includes a \$55 million hospital project in Seoul. Since the Army is the primary user of this hospital in Seoul, I want to ask you this question:

Was the Army consulted prior to this project being put into the budget?

General OFFRINGA. Sir, as you know, all the health facilities are programmed by the Department of Defense. As far as I know, we were not consulted in putting together that budget.

I am informed that it was the Surgeon General with whom the consultation was made in terms of the medical requirements, as opposed to consultation with us on the construction requirements.

Senator SASSER. It just does not seem to make sense, in view of your own budget priorities with regard to Korea and the fact that Korea is moving in the direction of taking over more of its defense, that we would be getting in the business of building a \$55 million hospital in Seoul.

Quite frankly, I do not think it will be too many years when there will not be any substantial number of American troops in Europe, the way things are going—in Korea, with—did I say Europe? Was that a Freudian slip? I hope not.

In Korea, with the way things are going there, with the government looking in the direction of taking over more of its defense and perhaps the United States looking in the direction of trying to pull back in some areas where we can do so without endangering our own vital interests and without curtailing or running out on our commitments to our allies around the world.

I have one or two other questions. I see we have been joined by Senator Stevens, and therefore, I want to turn it over to him.

CHEMICAL DEMILITARIZATION FACILITIES

Exactly what is requested in this budget for chemical demilitarization facilities?

Mr. OWEN. We are asking, sir, for \$49.6 million to begin construction of our first mainland U.S. chemical demilitarization facility at Tooele Army Depot in Tooele, UT, which is about 60 miles west southwest of Salt Lake City.

We are also asking for \$8 million plus for the construction of a national training facility at Aberdeen Proving Ground outside of Baltimore. It is at this training facility, which will be a miniplant using only simulants, where we will bring in the crews, whether they be contractor, Government, or whatever, and teach them. Probably it will take a year or so to get them trained on how to operate one of these plants.

The first plant we have is at Tooele. The reason we have placed Tooele there now is that is where 42 percent of the Nation's chemical stockpile rests today, at Tooele. If we are to meet the congressionally mandated deadline to complete this disposal project, we have to get underway at Tooele and we have to get underway soon.

That is why we had to place that plant in fiscal year 1989. As you know, the law currently reads that Congress enacted legislation that said that we would have the stockpile disposed of by 1994. We have come back in our March 15 report to the Congress and said we do not think we can realistically meet that 1994 date.

There have been some marks, including, I believe, over in the House Armed Services Committee several weeks ago, when they marked up their bill, that would relieve us of the 1994 deadline, but still give us a 1997 deadline. And to do that we still have to get underway at Tooele.

ONSITE DESTRUCTION OF CHEMICAL WEAPONS

Senator SASSER. Gentlemen, as I understand it, the Army has made a final decision to destroy the entire stock of aging chemical weapons on site.

Mr. OWEN. Yes, sir.

Senator SASSER. That is done and we can forget about that and just say that is a fait accompli and they are not going to be moving that material around on trains, et cetera.

Mr. OWEN. Yes, sir; we do not anticipate any chemical munition trains going through large cities across the country. But sir, there are several communities out there that are still upset about that decision, but that is the Army's final decision.

We would anticipate that we will be in court, but we feel very good in our decision. We felt very strongly about that decision. It took us a while to make it, but we should not be moving these things around the countryside.

Senator SASSER. I could not agree with you more, and I think the Army has clearly made the right decision. Onsite disposal is the safest and best approach in dealing with this problem, rather than transporting these stocks over hundreds and thousands of miles.

P-4 BIOLOGICAL WEAPONS LAB IN UTAH

One other question. Why is the Army seeking to redesign the P-4 biological weapons lab at Dugway in Utah?

Mr. OWEN. We are not seeking to redesign it, sir. There is currently on the street a draft environmental impact statement that states that we propose to construct a new biological aerosol test facility in an existing shell of a building at Dugway.

The design work for that was done a number of years ago, and to the best of my knowledge there is no plan to change that design, with the exception of taking advantage of improved technology. But apparently there was some confusion, bureaucratic confusion, where there may have been a solicitation for design proposal issued by one of the engineering districts.

If that was done, it was in error. The program has become quite controversial, sir, in Utah and a few other places.

Senator SASSER. I noticed that.

Mr. OWEN. And we will be having some specially called hearings on the House side very shortly on that small little \$5 million laboratory.

But we have not redesigned as such. The design we are currently using is what we have been using for several years. That is not even in the MCA Program, sir, until 1991. I believe that actual small lab has become a very controversial subject.

Senator SASSER. But there is no funding in this bill for construction, is that correct?

Mr. OWEN. No, sir; and even if everything went smoothly and exactly according to schedule, we would not be looking for those dollars until 1991.

Senator SASSER. Well, let me pause and defer at this time to Senator Stevens.

Senator STEVENS. Thank you very much, Mr. Chairman.

6TH LIGHT INFANTRY DIVISION

I am pleased to see you here this morning, General and Mr. Owen. I have an intense interest, as you probably know, in one major subject in this bill, and that is the 6th Light Infantry Division. I know that you made a comment on that.

Let me tell you what is my understanding. My understanding is there is \$44,490,000 in this request for Wainwright and \$6,250,000 for Fort Richardson in the military construction authority that is requested, and

there is a request here for \$27 million for new family housing for Fort Wainwright.

Do you still support those requests?

Mr. OWEN. Yes.

General OFFRINGA. Yes, sir; we do.

Senator STEVENS. It is my further understanding that the military construction moneys that we made available in the previous appropriation bills is being expended pursuant to the agreement we reached with the Department, and that all of those projects are on schedule. Is that your understanding?

General OFFRINGA. That is my understanding, sir.

Senator STEVENS. One of the items that was involved in the final arrangement that was agreed to with the Department of Defense concerning the light infantry division was that there would be a new Alaska Army Guard unit that would round out the brigade that would be stationed at Fort Richardson.

Now, it is my understanding there are no moneys in this bill to deal with the facilities that would be required by that new Army Guard battalion. Is that correct?

General OFFRINGA. That is correct, sir.

Senator STEVENS. Would it be possible for us to obtain from you the information as to what would be required for that battalion by the Alaska Army Guard in order to carry out that purpose?

General OFFRINGA. Yes, sir; we can provide that for you.

Senator STEVENS. I would appreciate it very much if you would.

[The information follows:]

FORCE STRUCTURE PLANNING

The current force structure planning by the Adjutant General and the National Guard Bureau involves restationing the existing 4th Battalion, 297th Infantry (Scout), from Juneau to western Alaska and activating the new roundout battalion in current 4th Battalion locations. It is planned that an airborne company of the roundout battalion will be activated and stationed in the new armory to be built in Anchorage. The airborne company would be reorganized from a unit currently included in the design of the Anchorage armory. There may be some increase to the overall authorized space, but such adjustment could be accommodated within the ongoing design effort.

The restationing of the 4th Battalion and activation of the roundout battalion is currently projected for October 1, 1989. The restationing and activation plan is currently being prepared by the Alaska Army National Guard and will be submitted to the NGB by August 1, 1988. Any future major construction or facilities cost will primarily be associated with restationing the 4th Battalion to western Alaska and any project scope increases to the Anchorage armory that may be required.

PROJECTS DELETED FROM PROGRAM

Senator STEVENS. Now, I am not sure this is really too good to get into this detail, but has the House supported in its authorization project or process the Fort Wainwright moneys? I heard something was dropped out over there.

General OFFRINGA. There were three projects, I believe, that we think were dropped out, yes, sir.

Senator STEVENS. Mr. O'Keefe says the consolidated fuel facility, the utilities expansion, and the vehicle maintenance facility were deleted: The first being \$2.3 million, the next \$3.45 million, and the next \$9 million. I am not sure you can give it now, but could you provide us with the justification for those moneys?

Or maybe I should ask you, Has the Army accepted that decision of the House authorization committee? Are you going to appeal that?

General OFFRINGA. We have appealed that, sir. We have continued to support the entire program needed for the light infantry division in Alaska, and I can provide you with the detailed justification for that if you so desire.

Mr. OWEN. The program we talked to today, Senator, before the subcommittee includes those facilities. That is what we came to the Hill with. That is what we continue to support.

Senator STEVENS. I appreciate that. We are going to have to have the battle on the authorization level before we get to the bill. So I would like to have the information in this record so that I could go to the people in the Armed Services Committee and urge them from the Senate side to restore those moneys.

It is my judgment that the vehicle maintenance facility is the most important of all, and the next would be the utilities expansion. If there is to be some item that we have to drop out, I am told that the consolidated fuel facility might be slipped into another year.

But I would like to not make that judgment without having some facts available as to how these facilities that the House has questioned fit into this.

They also made a recommendation for deleting some items for the Navy and the Air Force also. The three Army ones at Fort Wainwright concern us greatly.

General OFFRINGA. Us also, sir.

OVERSEAS MILITARY CONSTRUCTION ITEMS

Senator STEVENS. Let me ask you a couple of questions about the overseas items. I understand about 33 percent of our military construction budget this year is for overseas military construction, is that correct?

General OFFRINGA. That is correct, sir.

Senator STEVENS. How do you take into account the exchange rates when you make those decisions concerning the overseas projects? Do you have a fund that will take care of the adjustments, the fluctuations that occur during the year?

I am told, for instance, in Japan the President's budget, when it was submitted, that we have gone up something like 21 percent in terms of the cost of maintaining items in Japan because of the fluctuation in the exchange rate of the yen to the dollar just since January.

Mr. OWEN. The currency devaluation continues to be a monumental problem for us in dealing with overseas, for individual soldiers as they go out into the economy to buy a loaf of bread or whatever it may be, to the construction of large facilities.

Earlier this morning, I talked about European construction projects in particular. Several of those projects are in midstream and rather large dollar projects. And we felt it would be only prudent to go on and finish them up, get up over the hump.

This is the hump year and we will have several of those large facilities on line if we went ahead and invested the dollars this year.

The details of exactly how we deal with the currency fluctuation is a serious problem. And I will have the General add the details of how we do that.

General OFFRINGA. The currency is particularly bad this year, because we are spending money on projects that were authorized back in 1986 or appropriated in 1986 and 1987, when we had a dollar to deutsche-mark ratio of 2.99 or 2.46. So we have a tremendous gap if you are expending dollars at 1.65.

So if we were to buy out our program this year, we would have a currency impact of about \$650 million. The way that we handle this as we go through the program is that normally we are able through good contracting to get contract savings.

There are some projects that do not get executed for various reasons, and we apply those funds to the projects that we have had to withhold from awarding in Europe. However, it appears this year that the magnitude of the problem is such that we will probably have some projects that we will have to carry forward for which we will not have sufficient funding.

SUPPORT FROM JAPANESE

Senator STEVENS. Is my understanding correct, General and Mr. Owen, that we are getting about 40 percent support from the Japanese in terms of those costs that are associated with the fluctuation in the exchange rates?

General OFFRINGA. I am not sure of the percentage, but I think it is somewhere near that, yes, sir.

Senator STEVENS. Mr. O'Keefe tells me that is in the "Operation and maintenance" account. You probably would not see that in your accounts.

You just have no alternative. Either you have got to get more money from Congress or stretch out the work overseas, is that right?

General OFFRINGA. That is correct, sir.

Senator STEVENS. Are you exploring using private sector financing on some of this housing and the fast food outlets and other activities abroad, like you are here?

Mr. OWEN. We have had some experience with that, sir, where we have had third-party financing of the construction of housing in Germany.

General, if you could shine a little more light there. We certainly have done it in the States and I believe there is some overseas as well.

Senator STEVENS. I know you have done it here, General. I just wondered, in view of the currency fluctuation, if the private sector is

not better equipped to take care of some of this fluctuation than we are, with the long delays in our processes.

General OFFRINGA. Well, we have been particularly successful in Europe with the build-to-lease program, in which a European entrepreneur will build family housing that the Government will then lease, which then transfers the up-front costs to the Germans. And particularly in times when the deutschemark is strong against the dollar, we are able to achieve considerable savings as a result of that.

Senator STEVENS. Well, I appreciate it, and I want to thank you for that request to keep the light infantry division on schedule and your continued support of it. That is a very vital part of our planning for defense of Alaska, and I hope the committee will agree with me that the moneys ought to be restored.

SUBMITTED QUESTIONS

I am informed that Senator Sasser will not be able to come back because he is at a meeting with the Attorney General, and he has asked me to just close these hearings. There will be some questions submitted to you by members, as is normal. We would appreciate it if you would respond to them as quickly as possible.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR SASSER

DUGWAY PROVING GROUND, UTAH

QUESTION. Press reports indicate that the Army is considering cancelling the biological lab at Dugway? Are those reports correct?

ANSWER. At this time the Army is not considering cancelling the Biological Lab at Dugway Proving Ground. The ultimate decision has not been made and will not be made until the Environmental Impact Statement has been finalized and the US District Court requirements have been met.

QUESTION: If the project is cancelled at Dugway, would the Army seek to build it somewhere else?

ANSWER: The Army has no plans to cancel the project at Dugway Proving Ground. However, if the project is not permitted to be constructed at Dugway, the Army will investigate alternative sites. At this time no specific sites have been identified.

REPAIR OF FAMILY HOUSING

QUESTION: We have been informed that there are a number of family houses that are not suitable for occupancy because of needed repairs and rehabilitation. Please tell us how many houses are currently unsuitable for occupancy because of needed repairs?

ANSWER: The Army does not house families in unsuitable housing. However, there is currently an average of less than 1% of the total family housing inventory that are inactivated for maintenance and repairs. Installations with units that are inactivated because of fire damage must first decide if it is feasible to repair or dispose of the unit based on requirements and economics.

QUESTION: What is the range of time these houses have been in this status?

ANSWER: Depending on the type of repair being performed the time required ranges between 2 months to 12 months.

QUESTION: Are there any new construction projects requested for installations that have houses that cannot be occupied because of needed repairs?

ANSWER: No.

QUESTION: What justification can there be for requesting new construction funds when some of the need could be met by simply repairing existing housing and returning it to use?

ANSWER? The Army has not requested funding for any housing which falls in this category.

UTILITY USAGE IN FAMILY HOUSING

QUESTION. The Subcommittee has been told that some service members living in military housing use substantially more electricity and natural gas than the average private sector resident living in the general area. Does DoD make any attempt to monitor the use of utilities by families occupying military family housing?

ANSWER. Yes, the Army has implemented a program to install master utility meters to monitor the usage over a number of family quarters. The utility consumption is thereby based on actual use and not through a pre-determined calculated basis. This allows the Army the ability to determine where excessive consumption occurs in comparison with similar quarters. It is anticipated that all master meters for electrical and gas will be in place by fiscal year 1990.

QUESTION: Does DoD have a policy concerning action to be taken against those families who habitually use excessive amounts of utilities?

ANSWER: The Army's policy is to determine the cause for excessive use of utilities - either due to malfunction of the quarters components or possible abuses by the occupants. The major emphasis is to assure the building is operated efficiently, however, with the continual growth of deferred maintenance and repairs, essential work may not be performed timely. Where an occupant may be conducting a business type operation in his home which consumes utilities for a profit making function, he is required to reimburse the Army. Reimbursement is also required for recharging electrical powered vehicles. Excellent results in precluding occupant abuses to utilities have been obtained through aggressive energy conservation programs. Although the Army does not have a departmental policy on action to be taken against families who habitually abuse the conservation program, installation commanders take appropriate action when families or others impede accomplishment of energy conservation goals.

QUESTION: Please give us your thoughts on the feasibility of metering utility usage by military housing occupants.

ANSWER: The cost of installing individual meters and monitoring individual utilities is greater than the anticipated savings. At Fort Irwin, where a housing comparison test is being conducted (manufactured versus conventional built) and individual meters have been installed, no major increase in consumption has been noted in comparison with similar quarters in the private sector where the individuals pay their own bill. Individual metering would require the Army to install new meters, rewire units and then assure they are properly maintained. The master meter by housing area continues to be the best solution.

QUESTIONS SUBMITTED BY SENATOR SPECTER

CHEMICAL DEMILITARIZATION

QUESTION. Last year, our subcommittee held a special hearing on the issue of chemical weapons demilitarization. One of the points that former Secretary Ambrose brought to our attention involved the anticipated legal battles which will face the Army as the executive agent for DoD on this matter. At that time I suggested that the various cases be combined into one at an appropriate time. I understand that the State of Kentucky's legislature has passed a bill which would more or less prevent the destruction of chemical weapons on-site in Kentucky. This of course, is in direct opposition to the Army's plan. What has the Army and DoD done to insure that the program will not be delayed for years in the courts?

ANSWER. The Army has attempted from the program's inception to involve all interested parties, communities, and states in the several-year environmental review process. In addition, the technical aspects of the program have been subjected to constant review, criticism, and oversight by Federal and State agencies, as well as the National Research Council/National Academy of Science. These efforts reduce, though they do not eliminate, the number of issues that result in protracted litigation.

Most of the likely issues to be litigated will involve environmental laws, particularly the National Environmental Policy Act. Some concern Supremacy Clause questions of Federal and State interests as would be the case, for example, with the Resolution passed in Kentucky and mentioned by Senator Specter. The Army would, as Senator Specter recommended, immediately seek to consolidate all litigations to preclude the untoward result of fighting legal battles in different states. but, at the bottom, despite the Army's repeated compliance with all relevant laws, persons unhappy with the Army's decision will, and can, sue. The Army cannot prevent that circumstance, but it has taken every precaution to protect itself should that occur.

SUBCOMMITTEE RECESS

Senator STEVENS. Thank you very much. The subcommittee will recess subject to the call of the Chair.

[Whereupon, at 11:45 a.m., Wednesday, April 20, the subcommittee was recessed, to reconvene at the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, APRIL 27, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding
Present: Senators Sasser, Reid, and Specter.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE NAVY

STATEMENT OF KEITH EASTIN, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR SHIPBUILDING AND LOGISTICS

SHIPBUILDING AND LOGISTICS

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The subcommittee will come to order. This morning we have a rather busy schedule. First, we will hear from the Navy and Marine Corps, and then we will hear from the three defense agencies.

I want to welcome our witnesses here this morning. The Navy military construction request is, as I understand it, for \$1.611 billion. The Navy and Marine Corps budget is the largest increase of all the services for military construction.

The Navy has chosen to place more resources into military construction than the other services. Last week, we heard from the Department of the Army and the Army has chosen to deemphasize military construction during these tight budgetary times. It will be interesting to hear the Navy's reasons for doing just the contrary.

The subcommittee is pleased to see that adequate resources are requested for the Marine Corps this year. Last year we were concerned that during the authorization process the Marine Corps failed to receive its fair share of the resources.

We are pleased that some of the deferred projects have been included in this request.

There are several other issues which we will discuss during the question and answer period following your prepared statements.

We have been joined by one of the stalwarts on this committee, Senator Reid of Nevada. Senator, we are delighted to see you and would welcome any opening remarks or comments that you might have this morning.

Senator REID. Thank you, Mr. Chairman. I do have a couple of concerns.

AIR FORCE/VETERANS ADMINISTRATION HOSPITAL AT NELLIS AIR FORCE BASE

One is—and I am sure you, along with others, get tired of me continually talking about this, but it is something I think will be extremely beneficial, not only to my State, but the entire country. That is the first of a kind, Air Force-Veterans Administration joint venture hospital at Nellis Air Force Base.

I am concerned that it keeps moving around on the chart as to whether or not it will be in 1989 or 1990 or 1993. Right now it is at 1990, and I really hope that we can keep it there.

We have in addition to that, a lack of affordable private care available in Las Vegas. The present facility does not even meet the needs of the present Air Force personnel, and that does not include those that are coming in on a weekly basis for the red flag exercises. Nellis is, of course, the busiest TAC base in the world.

I just think it is important that we do what we can to keep it on the 1990 budget. It was originally in the 1989 budget.

And one thing I did not mention—the fastest growing veterans population in the country is the southern Nevada area.

FALLON AIR FORCE BASE

One other concern I have is Fallon. Several years ago we had some problems with Dixie Valley because of the overflights by planes from Fallon. That has been alleviated, and I hope it will be worked out successfully in the near future.

But I am concerned about a bigger problem, and that is water. In 1986 my office and the Navy worked together to solve the problem of Dixie Valley. I believe the Navy can be of help again in shaping a permanent solution to Nevada's water problems.

What is more, the Navy can make this contribution without sacrificing its mission at Fallon. The Navy command in Washington I hope will urge Fallon to repeat its performance in 1986 by working to a solution to retain its good standing as a member of the Nevada community.

I can be more specific there, but very basically they have some water rights and they grow alfalfa as a buffer around an air base, and it takes a significant amount of water. And we want to look at something that would not take nearly as much water that would serve the same purpose.

Thank you, Mr. Chairman.

Senator SASSER. Thank you very much, Senator Reid.

No; we do not get tired of hearing about the projects in Nevada, as a matter of fact, and we learn something every time we bring up these Nevada projects.

INTRODUCTION OF WITNESSES

We are pleased to have with us this morning the distinguished Principal Deputy Assistant Secretary of the Navy for Shipbuilding and Logistics, Mr. Keith Eastin. We are pleased to have you with us, Mr. Eastin.

He is accompanied by Rear Adm. Ben Montoya, the Commander of Naval Facilities Engineering Command; and also Brig. Gen. Michael Downs of the Marine Corps, and General Downs is the Director of Facilities and Services for the Marine Corps.

Mr. Secretary, you may proceed as you wish. And for the record, if you would be kind enough to introduce—I think I failed to introduce Lieutenant Commander Hambrock. You might want to state for the record what his reason for being here is today. We welcome him also.

Admiral MONTOYA. I will address it when my turn comes, Mr. Chairman.

CUTS IN NAVY MILITARY CONSTRUCTION BUDGET

Mr. EASTIN. Mr. Chairman, I have a prepared statement, but in the interest of time I will submit it for the record and give you an overview.

Before coming up here, I had occasion to look at what I talked to you about last year, and in part it sounds like a broken record. I am up here again griping about the cuts that the military construction budget for the Navy has taken from what the general cuts have been for the Navy itself over the past 4 or 5 years.

As I have indicated before, in 1985 military construction took a cut of almost 22 percent and the total Navy budget took a cut of 2 percent; 1986, 18 percent military construction cut and a 2-percent cut for the overall Department of the Navy. Similar levels of cuts were made in 1987, and last year we were cut 24 percent and the overall Navy was cut less than 1 percent.

What this all boils down to is not just a matter of a convenient place to find funds to plus up other programs, but it indicates some inequitable distributions over the service and indicates also that there is a lack of support for operational programs of the Navy that have already been approved.

I do not know about the other services that you alluded to before, but what we are seeing in the Navy is a decline in the material condition of our assets.

BUDGET REQUEST

This year, as you will see, we have requested \$1.6 billion in military construction to support these assets, which is an amount that is up 13.7 percent from what was appropriated last year. If you want to compare that with what the Navy itself is asking, the overall Navy is asking less than it had appropriated last year.

So, yes, indeed, the military construction in support of our assets has increased substantially as submitted by the Navy. What is included in this is the fourth installment of our homeporting budget. We have a cap of \$799 million, which has not been exceeded. We hope not to exceed it.

We have appropriations and have under contract \$353 million, approximately 44 percent of that \$799 million. This year we are asking for an additional \$207 million. The total program then, when under contract, would amount to 70 percent of the overall program.

The \$207 million we have asked for this year reflects congressional deferrals in part, construction schedules which sometimes are a little earlier or later than anticipated, ship arrival dates which in some cases are a little later than we had anticipated, and funding constraints.

So we hope, in the \$207 million we ask this year, that we have taken into account what the Congress has been telling us for the last couple of years.

FAMILY HOUSING REQUEST

Additionally, this year in family housing we are requesting \$795 million, which is up a little more than 3 percent from the \$768 million appropriated last year. This is an attempt to eliminate our military family housing deficit by 1995. This year we will build a little less than 1,900 units.

And I cannot emphasize too much how important this program is, because it is what keeps the morale of our men and women in the Navy high. The morale, if it is low, affects greatly our reenlistment rates, which in turn is costly to the Navy and affects the Navy's ability to run its rather complicated weapons systems.

So I think it is important to keep these men and women on board. We want them to have housing that is roughly equivalent with what they could get in the private sector. In addition to the 1,888 units, we will construct an additional 1,000 units under the 801 program.

NAPLES PROJECT

With respect to the Naples project, our C³I facility there in Agnano, we had proposed to move the C³I and related facilities to Capua, up the road some 35 or 40 miles, in an area that was less sensitive to seismic threats and accompanying security problems. Congress asked us last year to go back and look at some of the alternatives to what they considered the rather high cost alternative of going to Capua. This alternative would have cost in the neighborhood of \$240 million. We went

back and took a look and found some land that we already had at the Capodichino Airport in Naples itself, and have come back this year and not requested funds for Capua, but have requested \$21.6 million to commence building a marine barracks and start some of the site development for the C³I at Naples.

The total program at Capodichino as opposed to Capua would be around \$90 million, instead of the \$240 million. So I think we have made substantial strides. It is not our first choice, but it is certainly an acceptable choice and one we would hope would permit us to get on with the program of moving the C³I facility out of what we consider a very dangerous area.

Other than that, I will pass on to Ben Montoya, who can fill you in on some more of the details.

[The statement follows:]

STATEMENT OF
MR. KEITH EASTIN
PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE NAVY
(SHIPBUILDING AND LOGISTICS)

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

IT IS A PLEASURE TO BE HERE TODAY TO PRESENT THE NAVY'S AMENDED FISCAL YEAR 1989 BUDGET SUBMISSION. I HAVE WITH ME THIS MORNING REAR ADMIRAL B. F. MONTOYA, COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND; AND BRIGADIER GENERAL M. P. DOWNS, UNITED STATES MARINE CORPS. ALTHOUGH RELATIVELY NEW IN THEIR POSITIONS, THEY HAVE QUICKLY BECOME THE EXPERTS IN REGARD TO THEIR PROGRAMS AND ARE PREPARED TO ASSIST ME IN RESPONDING TO YOUR QUESTIONS.

LAST YEAR, AS A RELATIVE NEWCOMER TO THE MILITARY CONSTRUCTION PROCESS, I ADVISED YOU THAT IT WAS A LITTLE ASTOUNDING TO ME TO DISCOVER THAT IN FISCAL YEARS 1985, 1986, AND 1987, THE MILITARY CONSTRUCTION PROGRAM RECEIVED REDUCTIONS OF 21, 18 AND 24 PERCENT; WHILE THE OVERALL DEPARTMENT OF DEFENSE BUDGET WAS REDUCED BY ONLY 2.8, 2, AND 7 PERCENT. I FURTHER ADVISED YOU THAT THESE INEQUITABLE REDUCTIONS EFFECTIVELY PROHIBITED US FROM GOING FORWARD WITH THE NECESSARY SUPPORT FOR OPERATIONAL PROGRAMS, WHICH HAD ALREADY BEEN APPROVED BY CONGRESS, THEREBY REDUCING THE COST EFFECTIVENESS OF OUR OPERATING PROGRAMS AND INCREASING THE DECLINE OF THE MATERIAL CONDITION OF OUR ASSETS. AS YOU WELL KNOW, OUR EFFORTS TO REVERSE THE TREND OF MILITARY CONSTRUCTION REDUCTIONS LAST YEAR WERE UNSUCCESSFUL. IN THE CASE OF THE NAVY, OUR FISCAL YEAR 1988 MILITARY CONSTRUCTION REQUEST WAS REDUCED BY A WHOPPING 23 PERCENT, WHILE THE OVERALL DEPARTMENT OF THE NAVY AND DEPARTMENT OF DEFENSE BUDGETS WERE REDUCED BY 7 PERCENT. IN VIEW OF THIS "TRACK RECORD," IT IS READILY APPARENT THAT REVERSAL OF THIS TREND IS ESSENTIAL THIS YEAR.

ALTHOUGH THE OVERALL FISCAL YEAR 1989 NAVY PROGRAM HAS BEEN REDUCED BY 3.7 PERCENT FROM THAT APPROPRIATED IN FISCAL YEAR 1988, WE HAVE BEEN RELATIVELY SUCCESSFUL IN DEMONSTRATING THE NEED FOR NAVY MILITARY CONSTRUCTION. THIS IS EVIDENCED BY OUR AMENDED REQUEST OF \$1.61 BILLION, WHICH REPRESENTS AN INCREASE OF 13.7 PERCENT FROM THE \$1.42 BILLION APPROPRIATED LAST YEAR. UNFORTUNATELY, HOWEVER, IN ORDER TO MEET THE TARGETS OF THE BUDGET SUMMIT, THE REQUEST HAS BEEN REDUCED FROM THE \$1.8 BILLION SUBMITTED IN THE BIENNIAL BUDGET LAST YEAR. THIS COUPLED WITH THE \$400 MILLION CONGRESSIONAL REDUCTION TO THE FISCAL YEAR 1988 PROGRAM HAS FORCED US TO DEFER A NUMBER OF PROJECTS FROM FISCAL YEAR 1989. THE FISCAL YEAR 1989 PROGRAM IS THEREFORE COMPOSED OF ONLY URGENTLY ESSENTIAL ITEMS, MOST OF WHICH YOU HAVE ALREADY SEEN IN LAST YEAR'S BIENNIAL BUDGET REQUEST. I WILL THEREFORE ONLY BRIEFLY ADDRESS A FEW KEY ITEMS.

STRATEGIC HOMEPORTING

LAST YEAR, I ADVISED YOU THAT OUR MILITARY CONSTRUCTION AND FAMILY HOUSING PROGRAM WAS DEVELOPED IN ORDER TO SUPPORT OUR MARITIME STRATEGY, THE CENTERPIECE OF WHICH IS THE READINESS OF OUR 600 SHIP FORCE LEVEL, WHICH WAS EXPECTED TO BE REACHED BY 1989. THE ANNOUNCEMENT BY SECRETARY CARLUCCI OF THE RETIREMENT OF SIXTEEN FRIGATES HAS STIMULATED MUCH SPECULATION IN REGARD TO THE LEVEL OF REQUIRED FLEET SUPPORT, IN PARTICULAR THAT OF STRATEGIC HOMEPORTING. MR. CHAIRMAN, I CAN ASSURE YOU THAT THE RETIREMENT OF THESE FRIGATES DOES NOT DIMINISH THE NEED FOR OUR STRATEGIC HOMEPORTING PROGRAM. THE NEED FOR STRATEGIC HOMEPORTING AROSE NOT JUST OUT OF OUR EXPANSION TO 600 SHIPS BUT OUT OF OUR MODERNIZATION OF THE FLEET AS WELL. OUR NEWER SHIPS ARE LARGER, MORE COMPLEX AND NEED MORE SUPPORT THAN THE OLDER, LESS CAPABLE SHIPS WHICH THEY HAVE BEEN REPLACING. STRATEGIC HOMEPORTING WAS ALSO BUILT AROUND THE NEED TO SUPPORT/BERTH OUR BATTLEGROUPS TOGETHER, INCLUDING FOUR ADDITIONAL BATTLEGROUPS THAT WERE FORMED SINCE 1980. THE NEW HOMEPORTS WILL ALSO REDUCE OVERLOADS IN EXISTING PORTS THAT

ADVERSELY IMPACT OPERATIONS. THESE CONDITIONS WILL NOT BE RELIEVED BY A DELAY IN ACHIEVING THE 600 SHIP PROGRAM. THE FRIGATES PROPOSED FOR DECOMMISSIONING ARE ALL STATIONED AT OVERCROWDED EXISTING PORTS AND WERE NOT A PART OF STRATEGIC HOMEPORTING SINCE THEY WERE TO BE PHASED OUT IN THE 1990'S.

TO DATE, \$353 MILLION, REPRESENTING 44 PERCENT OF THE \$799 MILLION CAP, HAVE BEEN APPROPRIATED FOR STRATEGIC HOMEPORTING AND EXECUTION IS WELL ON ITS WAY. THE \$207 MILLION FISCAL YEAR 1989 REQUEST WAS CAREFULLY STRUCTURED TO ACCOMMODATE CONGRESSIONAL DEFERRALS, CONSTRUCTION SCHEDULES, SHIPS' ARRIVAL DATES AND FUNDING CONSTRAINTS. IF APPROVED, 70 PERCENT OF THE FUNDING WILL BE AVAILABLE TO PROVIDE ESSENTIAL SUPPORT REQUIREMENTS FOR THE THREE BATTLESHIPS, THREE CARRIERS, AND THEIR SUPPORT SHIPS. I ASK YOUR ASSISTANCE IN PROVIDING FUNDS FOR THE RAPID COMPLETION OF THESE VITALLY NEEDED NEW HOMEPORTS WHICH WILL PROVIDE FOR THE DISPERSAL OF OUR BATTLEGROUPS AND RELIEF OF OUR EXISTING OVERCROWDED PORTS. FURTHER DEFERRALS AND RETHINKING OF THIS ALREADY WELL THOUGHT OUT AND MUCH DISCUSSED PLAN CAN ONLY RESULT IN ADDITIONAL COSTS AND DELAYS IN ACHIEVING THIS ESSENTIAL STRATEGIC OBJECTIVE.

NAPLES RELOCATION

DURING THE PAST FEW YEARS, THE NAPLES RELOCATION HAS ALSO BEEN HIGHLY VISIBLE AND THE SUBJECT OF EXTENSIVE DISCUSSION. AS I HAVE DONE IN THE CASE OF STRATEGIC HOMEPORTING, I ALSO SOLICIT YOUR ASSISTANCE IN PROVIDING FUNDS NECESSARY FOR THIS ESSENTIAL PROGRAM.

WE HAVE REVIEWED THE RELOCATION CONCEPT FOR MORE ECONOMICAL SOLUTIONS AND HAVE SUBMITTED A REPORT ON VARIOUS ALTERNATIVES TO THE COMMITTEE. THIS YEAR'S REQUEST OF \$21.6 MILLION WILL PROVIDE THE FIRST INCREMENT OF FUNDING FOR THE COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE COMPLEX AT THE DESIRED LOCATION OF CAPUA OR THE FIRST INCREMENT OF FUNDING FOR THE ACCEPTABLE AND LESS EXPENSIVE ALTERNATIVE OF CAPODICHINO. IN EITHER CASE, WE CAN NOT AFFORD ANOTHER YEAR

DELAY IN RELOCATING FROM THE EXISTING SITE THAT CONTAINS A SEISMIC THREAT THAT COULD CAUSE A CATASTROPHIC LOSS OF LIFE AND DESTRUCTION OF VITAL COMMAND AND CONTROL ASSEIS USED BY THE SIXTH FLEET COMMANDERS. REAR ADMIRAL MONTOYA IS PREPARED TO DISCUSS FURTHER WITH YOU THE DETAILS OF THE RELOCATION.

HERMES (TACAMO) AIRCRAFT

SUPPORTING OUR COMMITMENT TO BASE OUR E6-A AIRCRAFT AT THE CENTRALLY LOCATED SITE AT TINKER AIR FORCE BASE, OKLAHOMA, WE HAVE REQUESTED AN ADDITIONAL \$38.1 MILLION THIS YEAR. IN THAT TINKER IS THE OVERHAUL ACTIVITY FOR THE AIR FORCE E-3 AWACS, ECONOMIES IN ENGINE AND AIR FRAME MAINTENANCE AND SPARE PARTS SUPPLY WILL BE REALIZED AT THIS ACTIVITY. A REVISED REPORT ON ALTERNATIVE BASING, REQUESTED IN THE MILITARY CONSTRUCTION APPROPRIATIONS CONFERENCE REPORT, WILL BE SUBMITTED IN THE NEAR FUTURE. THE DESIGN OF THE \$11.8 MILLION FISCAL YEAR 1988 BASE DEVELOPMENT PROJECT IS PROCEEDING WITH CONSTRUCTION AWARD AND LAND ACQUISITION EXPECTED TO BE CONSUMMATED LATER THIS YEAR, AFTER THE EXPANDED AND REVISED REPORT IS SUBMITTED.

NATIONAL CAPITAL REGION

THIS YEAR'S REQUEST INCLUDES SIX PROJECTS IN THE AMOUNT OF \$116.9 MILLION IN THE NATIONAL CAPITAL REGION. THESE PROJECTS ARE CONSISTENT WITH OUR TWO MAJOR FACILITIES OBJECTIVES FOR THE REGION OF (1) MAKING FULL AND BEST USE OF EXISTING ASSETS, INCLUDING THE UNIQUE AND HISTORICAL WASHINGTON NAVY YARD PROPERTY AND (2) AVOIDING EXCESSIVE LONG TERM COSTS ASSOCIATED WITH LEASING OFFICES. WE PROPOSE TO USE OUR EXISTING ASSETS FOR ALL OF THE PROJECTS WITH FOUR SITED AT NAVAL STATION ANACOSTIA, ONE AT THE WASHINGTON NAVY YARD AND ONE AT THE NAVAL RESEARCH LABORATORY.

THE LARGEST OF THESE PROJECTS IS FOR THE FIRST PHASE OF FUNDING OF \$59 MILLION FOR A NEW NAVAL INTELLIGENCE COMMAND HEADQUARTERS BUILDING. THE COMMAND IS CURRENTLY OCCUPYING

INADEQUATE AND INSECURE SPACES IN TWO LEASED BUILDINGS AT THE FEDERAL CENTER AT SUITLAND, MARYLAND. THE PROPOSED SITE AT ANACOSTIA WAS SELECTED AFTER A REVIEW OF AVAILABLE SITES WITHIN THE NATIONAL CAPITAL REGION WITH THE OBJECTIVE OF PROVIDING A SECURE FACILITY UNDER THE OWNERSHIP AND MANAGEMENT OF THE DEPARTMENT OF DEFENSE. IT HAS BEEN RECENTLY BROUGHT TO OUR ATTENTION THAT IT MAY BE POSSIBLE TO OBTAIN NO COST OWNERSHIP OF A PORTION OF THE SUITLAND FEDERAL CENTER FOR THE CONSTRUCTION OF THE HEADQUARTERS BUILDING. THIS OPTION IS CURRENTLY UNDER REVIEW; AND IF FAVORABLE, THE DESIGN OF THE ANACOSTIA SITE COULD BE UTILIZED FOR THE SUITLAND SITE. IN ANY EVENT, FISCAL YEAR 1989 AUTHORIZATION AND FUNDING IS ESSENTIAL.

FAMILY HOUSING

FINALLY, I WOULD LIKE TO MENTION OUR FAMILY HOUSING PROGRAM. OUR TOTAL FISCAL YEAR REQUEST FOR FAMILY HOUSING IS \$795.4 MILLION, A 3.3 PERCENT INCREASE FROM THE \$767.9 MILLION APPROPRIATED IN FISCAL YEAR 1988. THE PROGRAM IS THE CONTINUATION OF THE AGGRESSIVE PROGRAMMING GOAL REPORTED TO YOU LAST YEAR; TO ELIMINATE THE FAMILY HOUSING DEFICITS BY 1995. WE ARE PURSUING THIS GOAL BASED ON THE REALIZATION THAT IN MANY OF OUR ACTIVITIES, ESPECIALLY IN HIGH COST COASTAL AREAS, HOUSING IN THE PRIVATE COMMUNITY IS INSUFFICIENT OR UNAFFORDABLE EVEN WITH THE VARIABLE HOUSING ALLOWANCE. THE ADVERSE EFFECTS ON THE MORALE OF OUR PEOPLE, BROUGHT ABOUT BY THE LACK OF HOUSING, CAUSE RETENTION PROBLEMS WHICH EVENTUALLY LEAD TO A DIMINISHED READINESS POSTURE. THIS YEAR'S REQUEST FOR 1,888 NEW FAMILY HOUSING UNITS WILL HELP US TO CONTINUE ALONG THE ROAD TO RECOVERY IN THIS AREA. WE INTEND TO AUGMENT THESE UNITS WITH AN ADDITIONAL 1,000 UNITS EACH YEAR THROUGH THE SECTION 801 PROGRAM AND THROUGH OTHER AVENUES IN THE PRIVATE SECTOR SUCH AS SECTION 802. IN THIS MANNER, WE WILL PROVIDE OUR MARINES 500 NEW UNITS EACH YEAR AND OUR SAILORS 2,500 NEW UNITS, THEREBY ELIMINATING OUR DEFICIT BY 1995.

IN ADDITION, WE ARE CONTINUING TO PLACE INCREASED EMPHASIS

ON OUR FAMILY HOUSING IMPROVEMENTS, OPERATIONS, AND MAINTENANCE PROGRAMS. WE HAVE INCLUDED \$61.6 MILLION IN THE FAMILY HOUSING IMPROVEMENTS REQUEST TO PROVIDE OUR NAVY AND MARINE CORPS FAMILIES WITH PLACES TO LIVE THAT COMPARE FAVORABLY TO THOSE FOUND IN THE PRIVATE SECTOR. OUR REQUEST FOR THE OPERATION AND MAINTENANCE ACCOUNTS TALLING \$512.4 MILLION REFLECTS THE FUNDS NECESSARY TO REDUCE OUR MAINTENANCE BACKLOG FROM \$10,000 PER UNIT TO \$1,000 PER UNIT BY 1995 AND TO PROVIDE THE FIXED FUNDING REQUIREMENT TO OPERATE OUR FAMILY HOUSING UNITS. ANY REDUCTIONS TO THESE ACCOUNTS WILL RETARD OUR EFFORTS TO REDUCE OUR REPAIR BACKLOG, ADDING COSTS TO EXECUTE ONGOING REPAIR PROJECTS.

CONCLUSION

MR. CHAIRMAN, WE ARE REQUESTING AN INCREASE IN MILITARY CONSTRUCTION THIS YEAR AT THE SAME TIME THAT THE TOTAL NAVY BUDGET HAS BEEN REDUCED. THIS AMOUNT, HOWEVER, IS ESSENTIAL IF WE ARE TO MAKE ANY PROGRESS IN PROTECTING OUR EXISTING ASSETS AND CURBING FURTHER DETERIORATION OF OUR AGING PLANT. I URGE YOUR FAVORABLE CONSIDERATION OF THE REQUEST.

NAVAL FACILITIES ENGINEERING COMMAND

STATEMENT OF REAR ADM. BENJAMIN F. MONTOYA, CEC, U.S. NAVY,
COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND

ACCOMPANIED BY LT. COMDR. DAN HAMBROCK, U.S. NAVY

INCREASED MILITARY CONSTRUCTION BUDGET

Senator SASSER. Admiral Montoya.

Admiral MONTOYA. Mr. Chairman, it is good to be here today, particularly as the facilities engineer for the Navy, to present to the subcommittee a military construction program that is larger than was appropriated and authorized last year.

There are a couple of very good reasons for that that I wish to dwell upon for a moment, without repeating anything Mr. Eastin has said, because most of that is in my statement also, to one extent or another.

Last year or this last budget cycle, we were able to convince our Navy planners and our leadership that this committee would support a military construction program of this size because of the words that we read loud and clear in last year's statement. Even though there were significant reductions, this committee certainly endorsed military construction as a needed asset for our forces.

We also were able to demonstrate and pleased to report that we had an outstanding year of execution of our fiscal year 1987 program; we awarded 94 percent of those projects authorized and appropriated in that year. Again, some credit needs to go to the Congress because we had an early bill that year and the general reductions were kept to a minimum.

The Congress did not reduce individual projects as they have in the past. The Gramm-Rudman-Hollings application did not take place, and if it had, it would have been done on the appropriations level as opposed to the project level, which gave us considerable problems in fiscal year 1986. Additionally, we, ourselves, improved our management efforts.

CONTINGENCY FUNDS

There is one problem still outstanding, however, which is hampering our ability to execute the 1988 military construction program. It is a problem that we have discussed extensively with the staffs of the committees. I think we are getting the support we need to make a modification in the way we are able to spend the dollars that you appropriate.

The limitation has been that we must keep contingency funds in every year from which you appropriate money to finish all the projects that are authorized and appropriated that year. Therefore, we have been forced to keep unexpended pots of money in fiscal years 1984, 1985, 1986, 1987, and again 1988.

The old way we used to do business, and I hope we can return to that, is that the military construction funds, once appropriated, can be used to complete any year projects that have been previously authorized and appropriated. Using that technique then, we do not artificially hold contingency dollars in hand to finish any particular project. We award projects as soon as we get them designed and get them on the table.

There are a number of projects around the country that are in danger of not being properly finished because money is very short in some of those previous years. Again, we certainly need your support and seek your support in changing that limitation, because I do not think either the Congress intended for us to not build projects to their ultimate scope, nor do I think the Congress intended us to delay execution of projects artificially.

For example, right now with today's constraints we are going to have to hold over \$200 million of fiscal year 1988 appropriated projects waiting for 1989 money. And if we spend that \$200 million out of fiscal year 1989 money, we are going to have to roll fiscal year 1989 projects into fiscal year 1990.

With the changing of the rule, we could immediately release over \$100 million of contingency funds to award these projects and, therefore, get on with the intended purpose, to build facilities.

QUALITY OF LIFE PROJECTS

The makeup of our \$1.61 billion program is also of interest and I wish to highlight that over 65 percent of that budget is for the replacement and modernization of facilities. Thirty-five percent goes to new force structure and quality of life.

Of that 65 percent, we have an increase of \$20 million, up to \$173 million for quality of life projects. That is an increase over last year, and certainly that is very important to us.

Mr. Chairman, I think we have a solid, well-developed program that has been balanced between the buying of ships and airplanes and other hardware in the U.S. Navy. And I am hoping, with the continued support of this committee and the others, that we can continue to present to the Congress this kind of a balanced program in future Navy budgets.

As for Dan Hambrock, his function in life is to make sure that I have at my availability all the facts I need to respond to my questions, sir. I just need him close at hand.

[The statement follows:]

STATEMENT OF
REAR ADMIRAL B. F. MONTOYA, CEC, U. S. NAVY
COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND

I AM REAR ADMIRAL B. F. MONTOYA, COMMANDER OF THE NAVAL FACILITIES ENGINEERING COMMAND. I APPRECIATE THE OPPORTUNITY TO REVIEW THE NAVY'S AMENDED FISCAL YEAR 1989 BUDGET SUBMISSION FOR MILITARY CONSTRUCTION WITH YOU. BRIGADIER GENERAL M. P. DOWNS, UNITED STATES MARINE CORPS, WILL REVIEW THE MARINE CORPS PORTION OF THE REQUEST. IN THAT THIS IS AN AMENDED BUDGET SUBMISSION AT A REDUCED AMOUNT FROM THAT SUBMITTED OVER A YEAR AGO, THE MAJORITY OF THE ITEMS IN THE REQUEST ARE NOT NEW TO YOU. I WILL THEREFORE LIMIT MY REMARKS TO A BRIEF DISCUSSION OF OUR PROGRAM EXECUTION, THE EFFECTS OF THE REDUCED FISCAL YEAR 1988/1989 BUDGET AND A FEW HIGHLIGHTS OF OUR AMENDED FISCAL YEAR 1989 PROGRAM.

PROGRAM EXECUTION

LAST YEAR, MY PREDECESSOR, REAR ADMIRAL J. P. JONES, JR., INFORMED THE COMMITTEE OF A LOW CONSTRUCTION EXECUTION RATE DURING FISCAL YEAR 1986 BUT PREDICTED A RETURN TO THE 90 PERCENT EXECUTION LEVEL IN FISCAL YEAR 1987. I AM PLEASED TO REPORT TO YOU THAT HIS EXPECTATIONS WERE EXCEEDED, AS WE ACHIEVED A 94 PERCENT EXECUTION RATE LAST YEAR. CONTRIBUTING TO THIS SUCCESS WERE THE EARLY ENACTMENT OF THE FISCAL YEAR 1987 BILL, THE ABSENCE OF LARGE GENERAL REDUCTIONS, A LESSENING OF CONGRESSIONAL PROJECT COST REDUCTIONS, THE ABSENCE OF ADDITIONAL GRAMM-RUDMAN-HOLLINGS ACT REDUCTIONS AT THE PROJECT LEVEL, AND EXTENSIVE MANAGEMENT EFFORTS THAT WERE INITIATED TO ENSURE EARLY PROJECT AWARDS.

WITH THE EXCEPTION OF THE LATE ENACTMENT OF THE FISCAL YEAR 1988 BILL, ALL OF THESE POSITIVE FACTORS ARE PRESENT AGAIN THIS YEAR. WE WOULD AGAIN APPROACH THE 90 PERCENT EXECUTION LEVEL WERE IT NOT FOR THE PROHIBITION AGAINST USING

APPROPRIATIONS FROM MORE THAN ONE YEAR ON A SINGLE PROJECT. THIS PROHIBITION, WHICH WE CALL THE "SPLIT YEAR FUNDING RESTRICTION", WAS ENACTED IN THE FISCAL YEAR 1986 APPROPRIATIONS BILL. THIS RESTRICTION FORCES US TO RESERVE OUR FUNDS TO ENSURE COMPLETION OF PROJECTS WITH THE SAME YEAR'S APPROPRIATIONS. OVER \$200 MILLION OF FISCAL YEAR 1988 PROJECTS WILL BE DELAYED FOR EXECUTION WITH FISCAL YEAR 1989 APPROPRIATIONS IN ORDER TO MAINTAIN MINIMAL RESERVES IN FISCAL YEAR 1988 AND PRIOR YEARS TO MEET THE REQUIREMENT IMPOSED BY THE SPLIT YEAR FUNDING RESTRICTION. IN ADDITION TO THE COSTLY DELAY OF PROJECT AWARDS, SOME PRIOR YEAR PROJECTS MAY NOT BE COMPLETED AS A RESULT OF THE "SPLIT YEAR FUNDING" RESTRICTIONS. NOTWITHSTANDING OUR EXTENSIVE MANAGEMENT EFFORTS IN THE PAST YEAR TO RESOLVE THIS SITUATION, SOME HARD DECISIONS ON PROJECT SCOPE DEFERRALS MAY BE NECESSARY IN THE NEAR FUTURE. THIS SITUATION HAS SURFACED AS ONE OF MY GREATEST CHALLENGES DURING THE SHORT TIME THAT I HAVE BEEN RESPONSIBLE FOR EXECUTING THE NAVY'S MILITARY CONSTRUCTION PROGRAM. WE MAY NEED YOUR ASSISTANCE IN CORRECTING THIS SITUATION.

MILITARY CONSTRUCTION

THE FISCAL YEAR 1989 AMENDED BUDGET SUBMISSION FOR THE NAVY AND MARINE CORPS MILITARY CONSTRUCTION REQUEST IS \$1.61 BILLION. THIS REPRESENTS A \$215 MILLION OR 11.8 PERCENT REDUCTION FROM THE ORIGINAL BUDGET SUBMISSION OF \$1.83 BILLION; AND A \$194 MILLION OR 13.7 PERCENT INCREASE FROM THE \$1.42 BILLION APPROPRIATED IN FISCAL YEAR 1988. IN THAT THE NAVY'S TOTAL FISCAL YEAR 1989 BUDGET WAS REDUCED BY 3.7 PERCENT FROM THAT APPROVED BY CONGRESS FOR FISCAL YEAR 1988, I CONSIDER THE 13.7 PERCENT INCREASE FOR NAVY AND MARINE CORPS MILITARY CONSTRUCTION A CLEAR INDICATION THAT NAVY MILITARY CONSTRUCTION IS A HIGH PRIORITY WITHIN THE NAVY AND THE ADMINISTRATION. THERE IS A RECOGNITION AT ALL LEVELS OF THE DIRECT RELATIONSHIP THAT QUALITY FACILITIES HAVE TO OPERATIONAL READINESS AND THE INCREASED QUALITY OF LIFE FOR OUR PEOPLE, BOTH IN AND OUT OF

THE WORKPLACE. ADDITIONALLY, IT HAS BECOME INCREASINGLY MORE APPARENT THAT THE REDUCED MILITARY CONSTRUCTION FUNDING LEVELS IN THE PAST FEW YEARS ARE SEVERELY IMPACTING OUR EFFORTS TO REVITALIZE OUR RAPIDLY DETERIORATING SHORE FACILITIES.

ALTHOUGH THE INCREASE OVER LAST YEAR CAN BE CONSIDERED A SUCCESS STORY, CONSIDERING CURRENT BUDGET AND FUNDING CONSTRAINTS, IT NONETHELESS FALLS SHORT OF OUR NEEDS TO KEEP ABREAST OF WHAT APPEARS TO BE AN INSURMOUNTABLE BACKLOG OF ESSENTIAL REQUIREMENTS TO REPLACE AND MODERNIZE OUR SHORE FACILITIES. WITH THE CONGRESSIONAL DEFERRAL OF OVER \$400 MILLION OF THE FISCAL YEAR 1988 REQUEST AND A REDUCTION OF OVER \$200 MILLION IN THE AMENDED FISCAL YEAR 1989 SUBMISSION, OVER \$600 MILLION OF ESSENTIAL PROJECTS IN THE FISCAL YEAR 1988/1989 BIENNIAL BUDGET HAD TO BE DEFERRED TO FUTURE YEARS. THESE DEFERRALS, COUPLED WITH THE CONGRESSIONAL DEFERRAL OF OVER \$1 BILLION IN NAVY MILITARY CONSTRUCTION PROJECTS IN FISCAL YEARS 1985, 1986 AND 1987, HAVE RESULTED IN A "MUST HAVE" FISCAL YEAR 1989 MCON BUDGET REQUEST. ANY REDUCTIONS WOULD FURTHER EXACERBATE OUR REPLACEMENT AND MODERNIZATION EFFORTS AND/OR ELIMINATE FACILITIES NECESSARY TO ENHANCE FLEET READINESS AND THE QUALITY OF LIFE OF OUR SAILORS AND MARINES. REDUCTIONS AT THE 20 PERCENT LEVEL, AS EXPERIENCED THE PAST FOUR YEARS, WOULD BE DEVASTATING. WE SIMPLY CANNOT PROPERLY SUPPORT OUR REQUIRED READINESS POSTURE AND EFFECTIVELY USE AND PROTECT OUR EXISTING ASSETS IF THIS LEVEL OF MILCON REDUCTIONS CONTINUES.

THIS REQUEST REPRESENTS A BALANCED PROGRAM PROVIDING NECESSARY FACILITIES IN SUPPORT OF OUR REPLACEMENT AND MODERNIZATION EFFORTS AND OUR FORCE STRUCTURE. WE ARE REQUESTING \$1,048 MILLION, REPRESENTING 65 PERCENT OF THE PROGRAM FOR BASE MODERNIZATION AND \$563 MILLION REPRESENTING 35 PERCENT FOR FORCE STRUCTURE. CONTINUED EMPHASIS IS BEING PLACED ON THE QUALITY OF LIFE OF OUR PEOPLE AS DEMONSTRATED BY AN INCREASE IN THIS AREA TO \$173 MILLION, WHICH IS A \$20 MILLION INCREASE FROM THE AMOUNT APPROVED LAST YEAR. AS HAS

BEEN THE CASE IN PREVIOUS YEARS, THE VAST MAJORITY OF OUR PROGRAM (90 PERCENT) IS FOR PROJECTS INSIDE THE UNITED STATES, WITH ONLY 10 PERCENT FOR OVERSEAS PROJECTS.

STRATEGIC HOMEPORTING

I WOULD LIKE TO UPDATE YOU ON THE STATUS OF THE STRATEGIC HOMEPORTING PROGRAM AND SOME SPECIFICS OF THIS YEAR'S REQUEST. WE ARE REQUESTING \$207 MILLION, INCLUDING \$39 MILLION FOR NAVAL STATION STATEN ISLAND; \$95 MILLION FOR THE GULF COAST HOME PORTS OF PENSACOLA, MOBILE, PASCAGOULA, LAKE CHARLES, GALVESTON, AND INGLESIDE; AND \$73 MILLION FOR NAVAL STATION EVERETT.

IN DEVELOPING THE FY 1989 BUDGET FOR THE STRATEGIC HOMEPORTING PROGRAM, THE NAVY WAS PARTICULARLY SENSITIVE TO PREVIOUS CONGRESSIONAL GUIDANCE TO STRETCH OUT CONSTRUCTION FUNDING. OUR PROPOSED FY 1989 BUDGET DEFERS SOME PROJECTS PREVIOUSLY INCLUDED IN THE BIENNIAL BUDGET SUBMITTED LAST YEAR, BUT PROPERLY BALANCES CONSTRUCTION SCHEDULES, CURRENT SHIP ARRIVAL TARGETS, AND FUNDING CONSTRAINTS. ALTHOUGH PREVIOUS PROJECT DEFERRALS HAVE DISRUPTED CONSTRUCTION SCHEDULES AND PACKAGING PLANS, PLACING INCREASED INFLATIONARY PRESSURES ON THIS PROGRAM, FACILITIES ESSENTIAL TO ACTIVATION OF THE NEW HOME PORTS ARE STILL ACCOMMODATED WITHIN ORIGINAL PROGRAM ESTIMATES. HOWEVER, ORIGINAL PROGRAMS HAVE REQUIRED ADJUSTMENT TO REFLECT CONGRESSIONAL DIRECTION AND ACTUAL CONTRACT COSTS; AND IT IS ESSENTIAL THAT THE PROPOSED FY 1989 PROGRAM BE FULLY FUNDED TO AVOID FURTHER DISRUPTIONS AND ASSOCIATED COST INCREASES.

WORK AT STATEN ISLAND INCLUDES ESSENTIAL SUPPLY FACILITIES, FLEET OPERATION AND MAINTENANCE SPACES THAT ARE ALREADY INCLUDED IN A PREPRICED CONTRACT OPTION; UTILITY AND SITE WORK THAT IS INCLUDED IN A MULTI-YEAR CONTRACTING STRATEGY; AND LAND THAT MUST BE PROCURED NOW TO ENSURE A SECURE BASE PERIMETER WHILE AVOIDING SPECULATIVE COST INCREASES ASSOCIATED WITH CONTINUED DEFERRAL OF LAND FUNDING. THE

PROPOSED FUNDING FOR EVERETT ALSO SUPPORTS A COST EFFECTIVE MULTI-YEAR PROCUREMENT STRATEGY. OUR REQUEST FOR EVERETT PROVIDES THE NEXT INCREMENT OF UTILITY AND SITE WORK AND THE BALANCE OF THE PHASED-FUNDING FOR THE PIER, BREAKWATER AND DREDGING, AS WELL AS THE NEXT INCREMENT OF LAND FUNDING AND THE FINAL INCREMENT OF FUNDS FOR DEFENSE ACCESS ROADS. PROPOSED GULF COAST FUNDING HAS ALREADY BEEN ADJUSTED TO ACCOMMODATE BUDGET CONSTRAINTS, AND FURTHER CUTS WOULD ADVERSELY IMPACT CONSTRUCTION SCHEDULES AND CURRENT SHIP ARRIVAL TARGETS.

YOU WILL NOTE IN OUR FISCAL YEAR 1989 BUDGET REQUEST \$5 MILLION FOR WORK AT SAN FRANCISCO THAT IS REQUIRED TO SUPPORT THE EXISTING MISSION OF THE HUNTERS POINT INDUSTRIAL COMPLEX. WE ARE CONTINUING OUR PLANNING AND DESIGN EFFORT TO DEAL WITH THE UPLAND ENVIRONMENTAL ISSUES AT HUNTERS POINT. A DREDGING PERMIT IS BEING SOUGHT IN ANTICIPATION OF CONDUCTING DREDGING NECESSARY TO ACCOMMODATE SHIP VISITS. THE HOMEPORTING ISSUE AT SAN FRANCISCO IS UNDER REVIEW BY THE COMMANDER OF THE U.S. PACIFIC FLEET.

FROM AN ENGINEERING AND FACILITIES PLANNING VIEWPOINT, THE INFRASTRUCTURE DEVELOPMENT BEING CARRIED OUT UNDER THE STRATEGIC HOMEPORTING PROGRAM IS ESSENTIAL TO ADEQUATELY BERTH AND PROPERLY SUPPORT THE CAPITAL SHIPS THAT MAKE UP OUR CURRENT CARRIER BATTLEGROUPS AND BATTLESHIP SURFACE ACTION GROUPS. WE ARE TRULY STRAINING TO SUPPORT TODAY'S FLEET. OUR BATTLEGROUPS RETURN AFTER LONG AND ARDUOUS DEPLOYMENTS ONLY TO FIND OVERCROWDED PIERS AND LESS THAN ADEQUATE SHORE FACILITIES. SOME MAY FEEL THAT THIS PROBLEM WOULD BE REDUCED IF FLEET GROWTH WAS LIMITED. HOWEVER, THE STRATEGIC HOMEPORTING PROGRAM DIRECTLY ADDRESSES ESSENTIAL SUPPORT REQUIREMENTS FOR THREE BATTLESHIPS, THREE CARRIERS, AND THEIR SUPPORTING BATTLEGROUPS. MARGINAL ADJUSTMENTS IN THE NUMBER OF SUPPORTING SHIPS THAT WOULD MAKE UP THE FLEET OF THE 1990'S WILL NOT DIMINISH THE CRITICAL NEED TO EXPAND OUR COUNTRY'S MARITIME INFRASTRUCTURE TO SUPPORT THE CARRIERS AND BATTLESHIPS IN OUR FLEET. WITH

THIS NEED IN MIND, I SOLICIT YOUR FULL SUPPORT FOR HOMEPORTING CONSTRUCTION INCLUDED IN THIS BUDGET.

NAPLES RELOCATION

NEXT, I WOULD LIKE TO BRIEFLY DISCUSS THE STATUS OF OUR PROGRAM FOR RELOCATION FROM THE EARTHQUAKE PRONE BUILDINGS LEASED BY THE NAVY IN NAPLES, ITALY, PROJECT PRONTO. OVER THE PAST TWO YEARS, YOU HAVE RECEIVED DETAILED TESTIMONY IN REGARD TO THE URGENT NEED FOR THIS RELOCATION BASED ON THE SEISMIC THREAT THAT COULD CAUSE A CATASTROPHIC LOSS OF LIFE AND DESTRUCTION OF VITAL COMMAND AND CONTROL ASSETS USED BY SIXTH FLEET TASK FORCE COMMANDERS. LAST YEAR, \$19.4 MILLION WAS AUTHORIZED FOR INITIAL BASE DEVELOPMENT IN SUPPORT OF A NEW COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE COMPLEX IN CAPUA. FUNDS WERE DEFERRED WITHOUT PREJUDICE, WITH LANGUAGE IN THE APPROPRIATIONS CONFERENCE REPORT INDICATING THAT MORE HEARINGS WILL BE HELD. ALSO, REPROGRAMMING WOULD BE CONSIDERED AFTER THE NAVY DEVELOPED AN OPERATIONALLY EFFECTIVE, BUT MORE ECONOMICAL PLAN, FOR THE TOTAL RELOCATION EFFORT. WE REVIEWED THE PRONTO CONCEPT IN RECENT MONTHS, WHILE ALSO CONSIDERING OUR EUROPEAN HEADQUARTERS ALIGNMENT PER DIRECTION IN ARMED SERVICES' REPORT LANGUAGE. THE REPORTS ARE NOW IN WASHINGTON. WE ARE PREPARED TO BRIEF YOU ON THE DETAILS LATER IN THIS HEARING.

THIS YEAR WE ARE REQUESTING THE FIRST INCREMENT OF FUNDING IN THE AMOUNT OF \$21.6 MILLION. THE REQUEST PROVIDES SUFFICIENT FUNDS IN FISCAL YEAR 1989 FOR THE ORDERLY RELOCATION FROM NAPLES TO THE PREFERRED LOCATION AT CAPUA OR THE ACCEPTABLE, LESS COSTLY ALTERNATIVE SITE AT CAPODICHINO. EITHER OPTION CAN BE EXECUTED IN FISCAL YEAR 1989. WE SHOULD NOT DELAY THE FUNDING FOR THIS VITAL RELOCATION. I SOLICIT YOUR SUPPORT OF THE FISCAL YEAR 1989 REQUEST.

FAMILY HOUSING

FINALLY, I WOULD LIKE TO DISCUSS OUR FAMILY HOUSING PROGRAM, WHICH INCLUDES BOTH THE NAVY AND MARINE CORPS. I

WOULD LIKE TO SUMMARIZE FOR YOU BRIEFLY OUR CURRENT CONCERNS AND PROGRAM INTERESTS, IN EACH OF OUR FOUR MAJOR ACCOUNTS - OPERATIONS AND MAINTENANCE, POST ACQUISITION CONSTRUCTION, AND NEW CONSTRUCTION.

OPERATIONS AND MAINTENANCE

THESE OPERATING ACCOUNTS, WHICH REPRESENT ALMOST 65% OF OUR TOTAL BUDGET, FUND THE DAILY "MUST PAY" BILLS THAT ALLOW US TO KEEP OUR FAMILIES HOUSED. OVER THE PAST SEVERAL YEARS, WE HAVE HAD A PATTERN OF ANNUALLY REQUESTING YOUR AUTHORITY TO REPROGRAM SCARCE MAINTENANCE FUNDS TO PAY FOR DAILY OPERATING COSTS - SUCH AS UTILITIES, TRASH REMOVAL, AND OTHER ROUTINE SERVICES. THIS HAS ALLOWED OUR MAINTENANCE BACKLOG TO GROW - TO THE DETRIMENT OF THE STANDARD OF LIVING OF OUR SERVICE MEMBERS AND THEIR FAMILIES.

WE ARE AT LAST TURNING THE CORNER ON THESE PRACTICES, AND DO NOT BELIEVE THAT WE WILL REQUIRE ADDITIONAL REPROGRAMMING AUTHORITY FROM YOU IN FISCAL YEAR 1988. THE CHANGES IN THE ANNUAL REPROGRAMMING AUTHORITY APPROVED BY THIS COMMITTEE IN THE FISCAL YEAR 1988 LANGUAGE WILL HELP US SPEND OUR DOLLARS MORE WISELY AND WE ARE APPRECIATIVE OF YOUR SUPPORT. IN ORDER TO MAINTAIN OUR MOMENTUM, HOWEVER, IT IS IMPERATIVE THAT WE NOT TAKE REDUCTIONS IN THE O&M ACCOUNTS IN FISCAL YEAR 1989 AND I URGE YOU TO FULLY SUPPORT OUR REQUESTS.

LEASING

IN FISCAL YEAR 1988, WE OCCUPIED OUR FIRST 300 SECTION 801 LEASED HOMES AT NORFOLK, VA. WE NOW HAVE CONTRACT AWARD AT THREE OTHER SITES, AND ARE IN VARIOUS STATES OF EXECUTING THE BALANCE OF OUR SECTION 801 PROGRAM. FUNDING REQUESTED HEREIN REPRESENTS ONLY ABOUT 5% OF OUR BUDGET. IT WILL ALLOW US TO PAY CONTRACT COSTS OF OUR NEW SECTION 801 LEASED UNITS AS THEY ARE PROJECTED TO COME ON LINE DURING FISCAL YEAR 1989, AS WELL AS TO CONTINUE PAYMENT OF CONTRACT COSTS OF OUR SMALL OVERSEAS LEASING PROGRAM.

POST ACQUISITION CONSTRUCTION

IN FISCAL YEAR 1989, WE ARE CONTINUING OUR EMPHASIS ON REHABILITATING THE OLDER UNITS IN OUR GOVERNMENT INVENTORY, THE AVERAGE AGE OF WHICH IS 25 YEARS. TWENTY-FOUR OF THE PROJECTS REQUESTED IN OUR BUDGET ARE FOR WHOLEHOUSE UPGRADES THAT WILL CORRECT ALL DEFICIENCIES AT ONE TIME, THUS AVOIDING PROLONGED OCCUPANT DISRUPTION AND DISSATISFACTION WHILE PROVIDING CONTEMPORARY AMENITIES TO OUR MEMBERS AND THEIR FAMILIES. THE REMAINING PROJECTS PROVIDE SPECIFIC AMENITIES LACKING IN OTHERWISE SUITABLE UNITS. I SINCERELY HOPE YOU WILL CONTINUE TO SUPPORT US IN THIS VITAL QUALITY OF LIFE PROGRAM. WHILE IT REPRESENTS ONLY ABOUT 8% OF OUR REQUEST, THE DIRECT EFFECT ON OUR FAMILIES IS SIGNIFICANT.

NEW CONSTRUCTION

NEW CONSTRUCTION, OUR FINAL MAJOR PROGRAM, REPRESENTS ALMOST 22% OF OUR FISCAL YEAR 1989 BUDGET, AND WE WILL BE ABLE TO CONSTRUCT 1,888 UNITS AND 80 MOBILE HOME SPACES AT 8 INSTALLATIONS. OUR NEED FOR ADDITIONAL HOUSING IS EXTENSIVE IN THE METROPOLITAN COASTAL AREAS OF THE COUNTRY, WHERE THE MAJORITY OF OUR MEMBERS ARE STATIONED, AND WHERE THE PRIVATE ECONOMY SIMPLY IS UNABLE TO MEET THE NEEDS OF OUR LOWER ENLISTED FAMILIES. WE ARE CONTINUING TO PURSUE OUR PLAN TO ELIMINATE THE DEFICIT OF HOUSING BY FY 1995 THROUGH THE MILITARY CONSTRUCTION AND SECTION 801 LEASING PROGRAMS. I EARNESTLY SEEK YOUR COMMITTEE'S SUPPORT TO HELP US ACHIEVE THIS OBJECTIVE.

CONCLUSION

MR. CHAIRMAN, THIS MILITARY CONSTRUCTION AND FAMILY HOUSING REQUEST PROVIDES THE MINIMUM ESSENTIAL FACILITY SUPPORT FOR OUR PERSONNEL, SHIPS, AIRCRAFT AND WEAPONS SYSTEMS. IN ORDER TO REACH THIS MINIMAL LEVEL OF SUPPORT, IT HAS BEEN NECESSARY TO PROVIDE AN INCREASE FROM THAT APPROVED LAST YEAR AT THE SAME TIME THAT THE TOTAL NAVY REQUEST HAS BEEN REDUCED. THE REQUEST OF \$1.61 BILLION FOR MILITARY CONSTRUCTION AND

\$795.4 MILLION FOR FAMILY HOUSING IS A RELATIVELY SMALL INVESTMENT IN ORDER TO INSURE THAT OUR SHIPS, AIRCRAFT AND WEAPONS SYSTEMS ARE EFFECTIVELY OPERATED AND MAINTAINED AND OUR MARINES AND SAILORS ARE PROVIDED THE QUALITY OF LIFE THEY DESERVE. REDUCTIONS TO THIS REQUEST WOULD CAUSE FURTHER DETERIORATION OF OUR AGING PLANT, ADVERSELY AFFECTING OUR READINESS. MR. CHAIRMAN, WE SOLICIT YOUR FAVORABLE CONSIDERATION OF THE REQUEST.



Rear Admiral Benjamin F. Montoya

REAR ADMIRAL BENJAMIN F. MONTOYA
CIVIL ENGINEER CORPS, U.S. NAVY

Rear Admiral Benjamin F. Montoya, CEC, USN, assumed duty as Commander, Naval Facilities Engineering Command, and Chief of Civil Engineers during change of command ceremonies on August 14, 1987. He moved into his new assignment from duty as the Director, Shore Activities Division, Office of Deputy Chief of Naval Operations (Logistics).

Rear Admiral Montoya was graduated from the U.S. Naval Academy and commissioned an Ensign in the Civil Engineer Corps, U.S. Navy, in 1958. His first duty was as shops engineer at Naval Air Station, Miramar, Calif. Rear Admiral Montoya then attended Rensselaer Polytechnic Institute in Troy, N.Y., where he received a bachelor of science degree in civil engineering in 1960.

Following graduation from Rensselaer, Rear Admiral Montoya spent the next seven years in California. He was first assigned to the Naval Shipyard, Long Beach, Calif., as assistant resident officer in charge of construction. From there, he was assigned three tours in Port Hueneme, first to the public works department as shops engineer and ultimately as public works officer, then to Naval Mobile Construction Battalion THREE, and finally to the 31st Naval Construction Regiment, as chief staff officer.

Rear Admiral Montoya spent the next year at the Georgia Institute of Technology in Atlanta, Ga., where he received a master's degree in sanitary engineering in 1968.

Duty as public works officer, Naval Station, San Juan, Puerto Rico, followed. After two years on the island, he returned to the West Coast to serve as environmental officer at the Naval Facilities Engineering Command, Western Division, San Bruno, Calif.

In 1974, Rear Admiral Montoya moved to the East Coast to serve as Director, Environmental Quality Division, Naval Facilities Engineering Command, Alexandria, Va., and then as Director, Environmental Protection and Occupational Safety and Health Division on the staff of the Chief of Naval Operations, Washington, D.C.

Rear Admiral Montoya returned to the West Coast in August 1981 as commanding officer of the Navy Public Works Center, San Diego, Calif. He became Commander, Western Division, Naval Facilities Engineering Command, in June 1984 and was selected to the rank of commodore the following November. In 1986, he became Director, Shore Activities Division, Office of Deputy Chief of Naval Operations (Logistics). He held that position when selected to the rank of rear admiral (upper half) in March 1987.

His awards include the Legion of Merit, Bronze Star Medal with Combat "V," Meritorious Service Medal, Navy Commendation Medal and the Navy Achievement Medal.

Rear Admiral Montoya also received a juris doctor degree at Georgetown University Law Center in Washington, D.C., in May 1980 and was admitted to the District of Columbia Bar in June 1981. He is a registered professional engineer in the state of Georgia.

A native of Indio, Calif., Rear Admiral Montoya is married to the former Virginia Cox, also of Indio, Calif. They have seven children: Benjamin, Christopher, Patrick, Michael, David, Teresa and Natasha.

U.S. MARINE CORPS

STATEMENT OF BRIG. GEN. MICHAEL P. DOWNS, U.S. MARINE CORPS, DIRECTOR, FACILITIES AND SERVICES DIVISION, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

BREAKDOWN OF BUDGET

Senator SASSER. Can we hear now from General Downs.

General DOWNS. Senator Sasser, Senator Reid. Thank you for this opportunity to appear before you today.

The Marine Corps fiscal year 1989 military construction program—

Senator SASSER. General, would you pull that mike just a little bit closer, please.

General DOWNS. Yes, sir.

The Marine Corps fiscal 1989 military construction program we are submitting for your approval is a balanced program that reflects our most urgent needs. It places a high priority on readiness and sustainability and continues our commitment to improve the quality of life of our marines and their families.

Approximately 38 percent of our funds are allocated to quality of life projects, 34 percent to maintenance, 22 percent for operations and training, with the remaining 6 percent being allocated to a variety of miscellaneous projects.

This \$245 million request represents a fiscally constrained, austere program which is the result of a careful, well reasoned, and thorough decision process based on our best judgment and experience.

Our amended fiscal year 1989 request is an approximately \$40 million increase over the fiscal year 1988 appropriated level. Our fiscal year 1989 family housing construction request remains at our originally submitted 532 homes and 80 mobile home spaces, and we have also retained two whole house repair projects totaling 655 homes.

We are thus continuing our substantial commitment to provide quality living conditions for our marine families.

We are grateful for your past help and seek your continued support.

[The statement follows:]

STATEMENT OF
BRIGADIER GENERAL MICHAEL P. DOWNS
UNITED STATES MARINE CORPS
DIRECTOR, FACILITIES AND SERVICES DIVISION
OFFICE OF THE DEPUTY CHIEF OF STAFF
(INSTALLATIONS AND LOGISTICS)

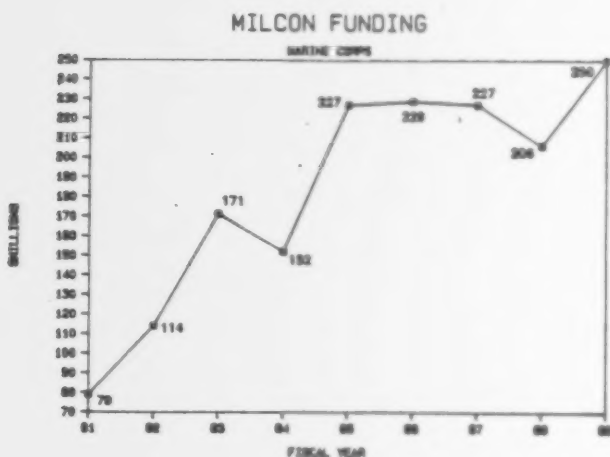
MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I'M BRIGADIER GENERAL MICHAEL P. DOWNS, DIRECTOR, FACILITIES AND SERVICES DIVISION, INSTALLATIONS AND LOGISTICS DEPARTMENT, HEADQUARTERS MARINE CORPS. THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU THIS YEAR TO PRESENT THE MARINE CORPS' MILITARY CONSTRUCTION PROGRAM FOR FISCAL YEAR 1989. OUR FISCAL YEAR 1989 PROGRAM SUSTAINS EFFORTS INITIATED IN PRIOR YEARS TO ENHANCE THE OPERATIONAL READINESS OF THE MARINE CORPS AND SIMULTANEOUSLY BUILD THE INFRASTRUCTURE TO SUPPORT OUR ACTIVITIES, AS WELL AS TO PROVIDE QUALITY OF LIFE IMPROVEMENTS NECESSARY TO ATTRACT AND RETAIN DEDICATED MEN AND WOMEN FOR THE MARINE CORPS. WITH YOUR PAST SUPPORT, WE HAVE MADE SIGNIFICANT PROGRESS, HOWEVER, MUCH REMAINS TO BE DONE.

WE ARE MOST GRATEFUL FOR ALL THE HELP AND UNDERSTANDING OF THIS COMMITTEE. YOUR ADVOCACY OF THE MILITARY CONSTRUCTION PROGRAM IS INDICATIVE OF A KEEN APPRECIATION OF THE RELATIONSHIP BETWEEN FACILITIES AND WARFIGHTING CAPABILITY. AS WE KNOW, MODERN ADEQUATE FACILITIES HAVE MADE MEASURABLE CONTRIBUTIONS TO IMPROVED READINESS AND SUSTAINABILITY, PROVIDED MORE EFFECTIVE AND ECONOMIC TRAINING, AND HAD A VISIBLE IMPACT ON MORALE AND RETENTION. IN VIEW OF THIS RELATIONSHIP, THE MARINE CORPS MILITARY CONSTRUCTION PROGRAM IS AN INTEGRAL ELEMENT OF OUR COMBINED ARMS FORCES MODERNIZATION. AS WE CONTINUE TO STRUGGLE TO MEET EXISTING DEFICIENCIES,

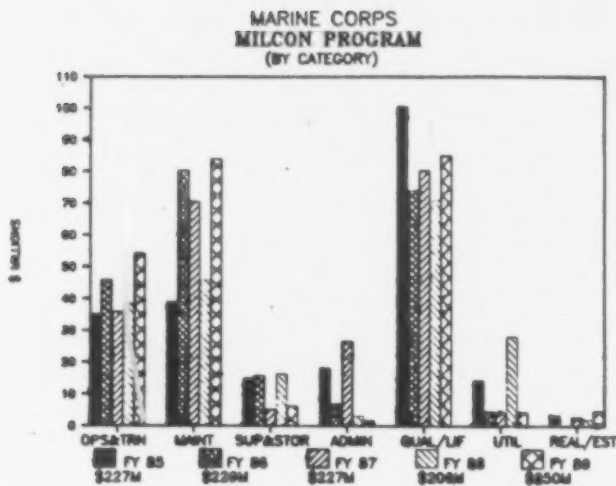
REPLACE AGING STRUCTURES, AND PROVIDE FOR NEW MISSION REQUIREMENTS, WE HAVE REGULARLY INCREASED THE PERCENTAGE OF OUR FUNDS ALLOCATED TO MILITARY CONSTRUCTION. CHART 1 REFLECTS THE NEARLY CONSTANT GROWTH OF THE MARINE CORPS MILITARY CONSTRUCTION PROGRAM SINCE 1982, WHEN WE BECAME OUR OWN RESOURCE SPONSOR. [IN VIEW OF THIS SUCCESS, WE WILL BECOME OUR OWN RESOURCE SPONSOR FOR THE EXCLUSIVELY MARINE CORPS PORTION OF THE MILITARY CONSTRUCTION NAVAL RESERVE PROGRAM BEGINNING IN FISCAL YEAR 1990.] ALTHOUGH THIS COMMITMENT HAS HAD AN APPRECIABLE EFFECT, THE AVERAGE BUILDING AGE IN THE MARINE CORPS IS 32 YEARS, AND MANY MARINES BOTH AT HOME AND ABROAD STILL LIVE IN OPEN SQUAD-BAY BARRACKS AND WORK IN OUTDATED, INADEQUATE OPERATIONAL AND MAINTENANCE FACILITIES. IT IS THESE DEFICIENCIES THAT WE DOGGEDLY BATTLE TO OVERCOME.

CHART 1



THE GROWTH IN THE MARINE CORPS CONSTRUCTION PROGRAM OVER THE PAST FEW YEARS HAS BEEN APPLIED AGAINST NEEDED FACILITY IMPROVEMENTS IN OPERATIONS AND TRAINING, MAINTENANCE, SUPPLY AND STORAGE, ADMINISTRATION, QUALITY-OF-LIFE, AND UTILITY SYSTEM UPGRADES AS SHOWN ON CHART 2.

CHART 2

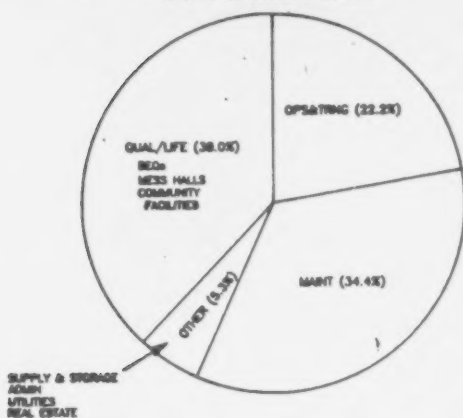


THIS YEAR'S MILITARY CONSTRUCTION REQUEST CONTINUES AN UPWARD TREND. THE MARINE CORPS' AUTHORIZATION AND APPROPRIATION REQUEST FOR FISCAL YEAR 1989 IS \$245 MILLION. ALTHOUGH THIS FIGURE REPRESENTS A SUBSTANTIAL DECREASE FROM THE ORIGINALLY SUBMITTED FISCAL YEAR 1989 BUDGET, IT DOES REPRESENT AN INCREASE OVER THE APPROVED FISCAL YEAR 1988 BUDGET.

THIS INCREASE IS NECESSARY TO SUPPORT THE PROCUREMENT OF NEW WEAPONS SYSTEMS AND EQUIPMENT BEGUN IN THE EARLY 80'S, TO PROPERLY HOUSE OUR ENLISTED MARINES, AND TO REPLACE THOSE AGING FACILITIES WHICH ARE BEYOND PRUDENT ECONOMIC REPAIR. WE ARE PROPOSING A BALANCED PROGRAM, CONSISTENT WITH OUR PAST MANAGEMENT STRATEGY, IN RESPONSE TO THE MARINE CORPS' MOST URGENT NEEDS, AS REFLECTED ON CHART 3.

CHART 3

**MARINE CORPS
MILITARY CONSTRUCTION (MILCON)
FY89 DISTRIBUTION**

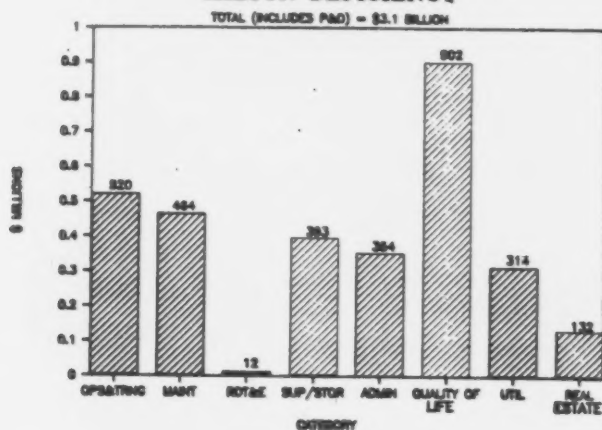


OUR FISCAL YEAR 1989 REQUEST CONTINUES TO PLACE A HIGH PRIORITY ON QUALITY-OF-LIFE PROJECTS. WHILE THE MARINE CORPS HAS DEDICATED 37 PERCENT OF ITS MILITARY CONSTRUCTION BUDGET (\$537 MILLION) IN FISCAL YEARS 1980 TO 1988 TOWARD THE CONSTRUCTION OF 33,693 LIVING SPACES, WE STILL HAVE A LONG WAY TO GO. OUR DEFICIT WILL BE APPROXIMATELY 38,000 ENLISTED SPACES AFTER WE FINISH OUR FISCAL YEAR 1989 PROGRAM. THIS REPRESENTS NEARLY ONE-THIRD OF THE MARINE CORPS' BACHELOR ENLISTED HOUSING REQUIREMENT. IN FISCAL YEAR 1989, \$80 MILLION IS REQUESTED FOR 4,033 LIVING SPACES. ALSO INCLUDED IN OUR REQUEST IS \$13.4 MILLION FOR SIX CHILD CARE CENTERS AND A MULTI-PURPOSE FACILITY. THESE PROJECTS ARE AN INDISPENSABLE INVESTMENT IN THE FUTURE. THEY REPRESENT A TANGIBLE WAY BY WHICH TO EXPRESS OUR GRATITUDE TO THE YOUNG MARINES AND THEIR FAMILIES WHO SERVE THEIR COUNTRY, OFTEN AT GREAT PERSONAL COST.

THIS PROPOSED PROGRAM WILL ALSO ACCOMMODATE OUR MOST URGENT OPERATIONAL REQUIREMENTS AND WILL HELP US CONTINUE TO IMPROVE BOTH PERSONNEL AND MATERIAL READINESS, AS WELL AS HELP REDUCE OUR

FACILITIES BACKLOG WHICH, AS DEPICTED ON CHART 4, IS IN EXCESS OF \$3.1 BILLION.

CHART 4
MILCON DEFICIENCY



THE INTRODUCTION OF NEW WEAPONS SYSTEMS REQUIRES SUPPORT FACILITIES TO EFFICIENTLY MAINTAIN AND CONSERVE THESE ASSETS. OUR FISCAL YEAR 1989 REQUEST REFLECTS THIS REQUIREMENT AS IT INCLUDES 22 MAINTENANCE RELATED PROJECTS TOTALING \$84.3 MILLION.

THE AVIATION READINESS PROJECTS FOR FISCAL YEAR 1989 INCLUDE: HANGAR ADDITIONS AND IMPROVEMENTS; AN AIRCRAFT ACCOUSTICAL ENCLOSURE: A REFUELING VEHICLE MAINTENANCE SHOP; A GROUND SUPPORT EQUIPMENT SHOP; AND AN ELECTRONIC/COMMUNICATION MAINTENANCE SHOP.

MAINTENANCE FACILITIES ARE ALSO REQUESTED TO SUPPORT UNITS AT OUR MAJOR GROUND BASES. IN FISCAL YEAR 1989, THESE SUPPORT FACILITIES INCLUDE 3 DEPOT-LEVEL MAINTENANCE AND TEST FACILITIES, 3 ELECTRONIC COMMUNICATIONS MAINTENANCE FACILITIES, AND 7 COMBAT VEHICLE MAINTENANCE SHOPS.

OUR FISCAL YEAR 1989 REQUEST ADDITIONALLY EMPHASIZES IMPROVING THE WORKING AND TRAINING CONDITIONS FOR OUR MARINES. WE ARE REQUESTING \$54.5 MILLION FOR THE CONSTRUCTION OF OPERATIONAL AND

TRAINING PROJECTS AT 11 MARINE CORPS ACTIVITIES. THESE PROJECTS, ESSENTIAL TO OUR READINESS, WILL PROVIDE FACILITIES SUCH AS: AN AIRCRAFT CONTROL TOWER, TACTICAL SUPPORT VEHICLES, TRAINING RANGE IMPROVEMENTS, AIRCRAFT ORDNANCE FACILITIES, AND RUNWAY IMPROVEMENTS.

IN ADDITION, \$11.1 MILLION IS REQUESTED FOR: A MARINE AIR SUPPORT COMPLEX AND ROAD IMPROVEMENTS.

YOU WILL NOTE THAT OUR FISCAL YEAR 1989 REQUEST INCLUDES ONLY ONE ADMINISTRATIVE FACILITY. THIS IS A REFLECTION OF PAST CONGRESSIONAL DIRECTION, BUDGETARY CONSTRAINTS, AND OUR OWN COMMITMENT TO PROGRAM ONLY THOSE PROJECTS FOR WHICH THERE ARE NO OTHER PRACTICAL ALTERNATIVES. WE HAVE UTILIZED THIS AUSTERE APPROACH IN THE FORMULATION OF OUR ENTIRE PROGRAM.

SUMMARY

MR. CHAIRMAN, IN SUMMARY, I WISH TO REEMPHASIZE THAT ADEQUATE FACILITIES ARE AN INTEGRAL ELEMENT OF OUR MODERNIZATION PROCESS. OUR PROGRAM IS THE RESULT OF A CAREFUL, WELL-REASONED, AND THOROUGH DECISION PROCESS BASED ON OUR BEST JUDGMENT AND OPERATIONAL EXPERIENCE. OUR REQUEST PROVIDES A BALANCED PROGRAM THAT REFLECTS THE MOST URGENT NEEDS OF THE MARINE CORPS. IT PLACES HIGH PRIORITY ON READINESS AND SUSTAINABILITY OF OUR FORCES, ENSURES TIMELY SUPPORT FOR FIELDING NEW WEAPONS SYSTEMS, AND CONTINUES OUR COMMITMENT TO IMPROVE THE QUALITY OF LIFE OF OUR MARINES. WE BELIEVE A QUALITY WORKING AND LIVING ENVIRONMENT IS ESSENTIAL FOR THE HIGH MORALE, PRODUCTIVITY, AND EFFECTIVENESS OF THE MARINE CORPS.

THE APPROVAL OF THIS REQUEST WILL CARRY ON THE COLLABORATIVE EFFORT OF THE CONGRESS AND THE MARINE CORPS TO ENHANCE OUR ABILITY TO EFFECTIVELY SERVE OUR NATION BY IMPROVING OUR OPERATIONAL READINESS AND WARFIGHTING CAPABILITY. WE'RE DEEPLY APPRECIATIVE

OF YOUR PAST SUPPORT AND URGENTLY SEEK FAVORABLE CONSIDERATION
OF OUR FISCAL YEAR 1989 MILITARY CONSTRUCTION REQUEST.

SIR, THIS CONCLUDES MY STATEMENT. I WELCOME ANY QUESTIONS
THAT YOU MIGHT HAVE.



UNITED STATES MARINE CORPS

DIVISION OF PUBLIC AFFAIRS • HEADQUARTERS MARINE CORPS
WASHINGTON, D.C. 20380 • TELEPHONE (202) 694-4309

BRIGADIER GENERAL MICHAEL P. DOWNS, USMC

Brigadier General Michael P. Downs is currently serving as the Director, Facilities and Services Division, Installations and Logistics Department, Headquarters Marine Corps, Washington, D.C.

General Downs was born on February 8, 1940 in Oak Bluffs, Massachusetts. He received a B.S. degree in Education from Holy Cross College in 1961, and holds a master's degree in Education from the University of Southern California (1982). He entered the Marine Corps via the NROTC contract program, and was commissioned a second lieutenant in June 1961.

After completing The Basic School, Quantico, Va., in April 1962, General Downs was assigned to a transplacement battalion, where he served as a rifle and weapons platoon commander, a rifle company executive officer and commanding officer, and as an infantry battalion assistant operations officer in the Far East and at Camp Pendleton, Calif.

Ordered to Vietnam in September 1967, he was assigned as Commanding Officer of Company F, 2d Battalion, 5th Marines. For his combat service during Operation Hue City in February 1968, he earned the Silver Star Medal. He served as Assistant Operations Officer, 5th Marines and as Operations Officer of the 3d Battalion, 5th Marines from May until October 1968. In a subsequent overseas Fleet Marine Force tour, General Downs served as Executive Officer, 1st Battalion, 9th Marines, 3d Marine Division from July 1975 until February 1976.

Non-FMF tours of duty include: Marine Barracks, Yorktown, Va.; the Development Center and The Basic School, Quantico, Va.; Marine Barracks, Washington, D.C.; Headquarters Marine Corps, Washington, D.C., where he served as Administrative Assistant, Operations and Training Department, then Ground Lieutenant Colonel Monitor; Plans Officer, Headquarters, Allied Forces Central Europe, Brunssum, The Netherlands; and Director, Operations and Training, Marine Corps Air Ground Combat Center, Twentynine Palms, Calif.

General Downs commanded the 27th Marines, 7th Marine Amphibious Brigade, Marine Corps Air Ground Combat Center, Twentynine Palms, Calif., from March 1984 to June 1986. In July 1986, he was assigned as the Deputy for Marine Corps Matters, Office of Program Appraisal, Department of the Navy, Washington, D.C. While serving in this capacity, he was selected for promotion to brigadier general in December 1986. He assumed his current assignment on March 13, 1987. General Downs was advanced to his present grade on May 22, 1987.

In addition to The Basic School, General Downs has completed the Amphibious Warfare School, U.S. Army Command and General Staff College; and the National War College.

His previous promotions were: first lieutenant, December 1962; captain, September 1965; major, November 1968; lieutenant colonel, November 1977; and colonel, November 1982.

His personal decorations and unit awards include: the Silver Star Medal; Purple Heart; the Defense Meritorious Service Medal; Combat Action Ribbon; Presidential Unit Citation with one bronze star; the Meritorious Unit Commendation with two bronze stars; and the Vietnamese Cross of Gallantry with palm.

Brigadier General Downs is married to the former Martha Leigh Puller. They have two sons, Mike Jr., and Burwell.

FAMILY HOUSING DEFICIT

Senator SASSER. Thank you, General Downs.

Gentlemen, Mr. Eastin, you indicated in your opening statement that you wished to correct the deficit in family housing by 1995. Was that your statement?

Mr. EASTIN. That is our intent.

Senator SASSER. What do you assess the deficit in family housing to be currently?

Mr. EASTIN. Ben might have better numbers, but it is somewhere well in excess of 9,500 or 9,000.

Admiral MONTOYA. Overall Navy, sir, it is 47,000 units, and we have a plan that we submitted last year to the committees.

We are looking to the private sector to provide about 27,000 of those units. Much of those will come from those areas where we are building the new homeports. We are expecting all the housing from Everett and along the gulf coast to come from the private sector.

We had planned to build 12,000 out of the military construction program and the remaining 8,000 out of the build-to-lease program.

Senator SASSER. What percent of family housing are we in deficit, if you were reducing those to percentage numbers, as of now? What percent short are we in family housing, would you say, Admiral?

Admiral MONTOYA. I am not sure I understand the question, Mr. Chairman. We have in the Navy some 70,000 housing units, in round numbers, and we are short another, in round numbers, 50,000.

Senator SASSER. And you need how many?

Admiral MONTOYA. We need 20,000 more to add to our current Navy-owned inventory.

Senator SASSER. I am trying to arrive at a percentage number. In other words, if we are going to be at 100 percent covering family housing by, I think the Secretary said, 1995, where are we percentagewise now?

Would it be 60 percent covered, 70 percent covered? Or do we have a percentage number?

Admiral MONTOYA. I think we are about three-fourths covered, in round numbers, in our housing.

Senator SASSER. So we are about 75 percent of the way there?

Admiral MONTOYA. That is right. In the remaining deficit, we are seeking to provide through Government means about 40 percent of that. In other words, we want to acquire about 20,000 units either through military construction or lease-build of the round number 50,000 deficit yet.

General DOWNS. I can provide some figures for the Marine Corps, sir. We have about a 5,000 family housing deficit. Given that our total housing requirement is approximately 27,500, about 82 percent of our requirement is covered. So we are short 18 percent, sir.

STATUS OF INITIATIVES

Senator SASSER. Please review for the committee the status of your new initiatives. For example, how much have you spent so far on homeporting and how much on the Kings Bay Trident base?

Admiral MONTOYA. The Kings Bay Trident base, Mr. Chairman, is currently a \$1.4 billion program, of which there is still approximately \$200 million remaining to be authorized and appropriated. This year's request contains \$56 million of that \$200 million remaining.

HOMEPORTING

Of our \$799 million figure to make our strategic homeporting bases operational, we have \$353 million that has been appropriated. We are requesting \$207 million this year, or through this year it would be \$560 million of the \$799 million that we anticipate is required. A breakdown of homeporting follows.

[The information follows:]

HOMEPORTING

SAN FRANCISCO

No decision has been made to cancel Strategic Homeporting in San Francisco. The Navy is moving ahead with the cleanup of Hunters Point and expects to have Corps of Engineers dredging permits by late summer of 1988. The Navy also plans to improve the existing south pier in fiscal year 1989 in support of the current fleet repair mission at Hunters Point.

U.S.S. MISSOURI

The U.S.S. *Missouri* is currently homeported in Long Beach, CA. It will remain in Long Beach until another homeport is developed, either at Hunters Point or at an alternate location designated by the Secretary of the Navy.

If the U.S.S. *Missouri* is not homeported in San Francisco, the fleet commander would reassess operational requirements in conjunction with the Chief of Naval Operations and propose an alternate homeport site for approval by the Secretary of the Navy.

EVERETT

An injunction was imposed on March 7, 1988, and will continue in effect until the Washington State Shoreline Hearings Board rules favorably on an administrative appeal to issuance of a shoreline development permit. A ruling is expected in May 1988, following which time work is expected to resume on site, and additional contracts are scheduled for award.

A ruling by the Washington State Shoreline Hearings Board on the administrative appeal to issuance of the shoreline permit is expected in May 1988. Additional legal appeals that may be used by the plaintiffs after the hearing board decision will be addressed promptly, and should not delay construction unless the Ninth Circuit Court of Appeals further expands the basis of its current injunction.

NAPLES RELOCATION

Senator SASSER. Tell us about the funding profile that is now planned for the Naples relocation?

Admiral MONTOYA. For the Naples relocation project, which would total in the neighborhood of \$92 million, we are requesting this year \$21 plus million to begin the site work and some initial projects.

For the remainder for the Naples project, we will be requesting in the fiscal year 1990 program a total of \$64 million, which will give us a round number of about a \$92 million program as we see it today, Mr. Chairman. Some of that money will be part of the defense agencies program to build a hospital, as well as some from nonappropriated funds.

Of that \$92 million, almost \$17.5 million will be for a new hospital.

NAVY REPORT ON NAPLES

Senator SASSER. Would you provide at this point in the record a copy of the Navy's latest report on the Naples relocation, Admiral Montoya?

Admiral MONTOYA. Yes, sir; we will, Mr. Chairman.

[The information follows:]

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REPORT FOR

House and Senate Committees on Appropriations

Subcommittee on Military Construction

Naples Relocation Investigating the Alternatives

★ COMMANDER IN CHIEF, U.S. NAVAL FORCES EUROPE ★

EXECUTIVE SUMMARY

In the Conference Report on FY 1988 Military Construction Appropriations, the Congress requested the Navy to "develop an operationally and effective but more economical plan" to the Naples relocation project, Pronto. This report responds to the Congressional request. It outlines the methodology of the study effort, and describes seven possible solutions to the facility shortfalls in Agnano.

The report recommends that the Navy vacate all of its facilities located in the Agnano crater at the earliest practicable time by constructing new Command, Control, Communications and Intelligence (C3/I), hospital and school facilities at Capua, Italy. The report concludes that construction costs for this program total \$227 million. The report discusses two options for reducing initial construction costs; acquisition of facilities by methods other than MCON such as leasing and/or leasing with purchase options, and deferral of the relocation of certain administrative and support functions located in Agnano low-rise structures. The report also investigates the possibility for the relocation of Agnano facilities to the GLCM Base at Corniso, to Sigonella or to the greatest extent possible to Capodichino. The report concludes that these latter three alternatives, while not preferred, could be acceptable to the Navy.

The Navy bases its recommendation upon three primary factors; the critical necessity to construct operationally adequate replacement facilities for the C3/I and Hospital, the operational requirement to collocate national staffs and the life safety requirement to vacate the Agnano facilities.

The key elements of all of the recommended solutions are:

- Construction of new urgently required Command & Control and hospital facilities.
- Total departure from the unsafe Agnano buildings with vacation of the Agnano high rise buildings as quickly as construction will allow.
- Significant cost reduction, adjusted for inflation, from the originally proposed Pronto construction program.

I. INTRODUCTION

A. Background

The Navy's investigation of facilities alternatives in the Naples complex began in 1982 when it became apparent that the ability to perform the mission at the Naples complex was degraded by a variety of factors. Shortly after the Navy began its study, the House Committee on Appropriations (HAC), in their report to accompany the 1983 Department of Defense (DOD) Appropriations Bill, requested the Navy provide a plan for the Naples complex. This study resulted in a document titled "Upgrading the Naples Complex: an Overview," as a response to the Committee's inquiry and as a summary document for Military Construction (MCON) program development. Based on these conclusions, master planning for the new site began in March 1985 and resulted in a construction planning document for a new site titled the "Ultimate Development Plan". The program to relocate from sub-standard Agnano leased facilities to a new base site was entitled "Project Pronto".

The need for relocating the Naval Support Activity (NSA) Naples and its tenant Commands from the Agnano complex, located in an active volcanic crater, has been highlighted in the reports listed above as well as in a 1987 report to the HAC entitled "Agnano, A Basis for Decision." There are four primary factors driving the requirement for a relocation from Agnano.

1. Operational - The increase in volume and complexity of the Navy's command and control mission in the Mediterranean can no longer be accommodated in the existing, antiquated and disparate facilities. A survivable and centralized Command, Control, Communications, and Intelligence (C3/I) complex is essential and cannot be achieved by any means other than new construction.

2. Medical - The Naval Hospital in Naples serves as the major referral facility in the Mediterranean. This hospital requires correction of basic facility deficiencies. It faces possible denial of accreditation if left uncorrected. Additionally, like the C3/I mission, a requirement exists to provide survivability and sustainability. This capability cannot be added to the existing facility. It can only be accomplished through new construction.

3. Security - The Agnano compound is vulnerable to a wide range of possible terrorist actions. Most disturbing and as noted in the 1987 General Accounting Office (GAO) study, the density and siting of existing facilities and the surrounding geography preclude any substantial security upgrades. Adequate protection from terrorist activity can only be assured through relocation.

4. Seismic/Volcanic - Finally, the buildings in Agnano are subject to sudden and possible catastrophic collapse from continuing seismic and volcanic activity. While it is impossible to predict when a major event might occur, continuing low order seismic activity contributes to the progressive deterioration and fatigue to the thirty year old structures which, in time, could result in collapse. The collapse could be attributed either to major tectonic earthquakes or to low level Bradyseismic tremors associated with the active volcano upon which the area sits. Disturbingly, while structures could be constructed or strengthened to withstand the earthquake threat, there is no way to protect a facility against the threat of volcanic eruption. Like the security shortcomings, protection can only be assured through relocation.

These four factors; the need for a modern and survivable C3/I complex, medical shortcomings, the potential for terrorist activity, and the seismic threat taken in the aggregate, overwhelmingly support the Navy's request for funds to relocate all activities out of Agnano as soon as possible. Last year, the Navy requested a six year construction program totalling \$245.7 million beginning in FY88.

B. FY88 Congressional Action

1. FY88 Authorization Bill - The House and Senate Armed Services Committees authorized the first phase of the C3/I building at \$19.4 million, or about 80% of the Navy's \$24.9 million request. However, they chose not to authorize an Office of the Secretary of Defense for Health Affairs (OSDHA) request for \$30 million for the new Naples hospital as part of the overall Naples relocation. In authorizing this funding level the committees questioned the need for total relocation of the Naples complex, stating:

In authorizing this project, the conferees have agreed only to the need for a modern command complex. The conferees remain skeptical of the merits of overall relocation...

Although authorizing phase one of construction for the command complex, the conferees are concerned that the Navy has not thoroughly analyzed its operational and support headquarters posture in Europe.

2. FY88 Appropriations Bill - Unlike the Armed Services Committees, the House and Senate Committees on Appropriations failed to appropriate any funds for either project. While agreeing to the need for a new C3/I facility, they were not convinced that the solution outlined during hearings was the most practical and cost effective plan stating:

... The Committee has no alternative but to have extensive hearings to examine the various alternatives and/or require the Navy to develop an operationally effective but more economical plan. Subsequent to the hearings, the Congress will consider a reprogramming request; however, any reprogramming must come from savings.

C. Methodology

The potential for more cost effective alternatives to Project Pronto was investigated in January and February 1988 as requested by the House and Senate Committees on Appropriations. To investigate the various possibilities, the Commander in Chief, U.S. Naval Forces Europe (CINCUSNAVEUR) commissioned a study group calling upon Navy experts in the fields of operations, communications, and facilities.

This working group conducted a "zero based" study of possible solutions, considering all possible alternatives to existing facility shortfalls. After developing a list of possible alternatives, the group evaluated these against a set of evaluation criteria. Subsequently, cost estimates were prepared for those options which remained.

II. DISCUSSION OF ALTERNATIVES

A. Operational Objectives

To develop a list of alternatives, it is first necessary to understand the operational objectives of the major functional components of the Navy mission in Naples. The four primary components are the CINCUSNAVEUR operational component, the medical component, fleet logistics support, and administrative support. It is important to point out that operational and medical objectives must be solved regardless of relocation decisions related to project Pronto.

1. Operational - The primary operational mission of the Navy in Naples centers on Command, Control, Communications, and Intelligence in support of ASW efforts in the Mediterranean and the command and control of all CINCUSNAVEUR units. Due to current facility deficiencies, the Navy has severe difficulties in fully accomplishing its mission. Operational goals to correct these deficiencies include:

- Collocate the Naval Communications Area Master Station Mediterranean (NAVCOMSTED) with the operational task force commanders. This necessary collocation is to remove critical connectivity vulnerabilities.
- Collocate all operational staffs to allow for sharing of critical equipment and billet resources.
- Provide space for new critically required command and control systems.
- Provide for survivability and sustainability by providing High Energy Magnetic Pulse (HEMP) and semi-hardened facilities.
- Provides for security protection.

Due to physical constraints within existing buildings and the dispersal of existing functions, it is difficult to meet these goals in the current facilities. Meeting these urgently required operational objectives can only be accomplished through construction of a new, consolidated C3/I facility.

2. Medical - The U.S. Naval Hospital in Naples serves as the primary Naval Medical referral facility in the Mediterranean. Its size and location are dictated by this mission. Because of its requirement to provide medical care to fleet units and outlying shore facilities, the hospital should be located close to an operating airfield and near a Sixth Fleet port of call. The urgent requirement exists today for construction of a new, modern medical referral hospital in the central Mediterranean regardless of relocation of any other Naples functions.

In looking at current operations, the primary, overriding objective with regard to medical care is the requirement to correct existing facility shortfalls. These deficiencies fall into three main areas; structural, contingency, and configuration. Many other facility problems exist within the current hospital such as inadequate fire protection, lack of central medical gas distribution and poor air conditioning systems. These all affect the possibility for future accreditation and are serious problems in their own right. However, the majority of these can be corrected at great expense. The deficiencies listed below cannot be corrected in the existing facility.

First, the existing hospital, like all Navy leased facilities in the Agnano area, was not designed or built to withstand the destructive forces which can be generated by expected seismic or volcanic activity. Engineering estimates to make the structural repairs to bring this building to even barely acceptable life safety standards exceed \$20 million as previously reported in the 1987 Navy report to the Congress entitled, "Agnano: A Basis for Decision." There can be no protection from volcanic eruption in Agnano.

Secondly, the existing hospital provides no protection from chemical or biological intrusion.

The requirement exists to provide this measure of protection at all European facilities and this capability cannot be added to the current structure in Agnano.

Finally, the existing hospital is improperly configured to provide comprehensive medical care to its patients. As a narrow, multi-story building with large central corridors, the hospital does not lend itself to modern medical practices or procedures. Additionally, because of its structural configuration and substandard structural capacity, the Navy is unable to provide patients all of the services required for a hospital with this mission. Currently, needed Occupational Therapy, Otorhinolaryngology (ENT), and Urology clinics are not available and cannot be located in the Naples hospital and the existing clinics are severely undersized. Because of the location of structural beams and columns and other building constraints, the facility cannot be properly renovated. New construction is the only viable alternative.

3. Fleet logistics support - Naples serves as the Navy's logistics hub in the Mediterranean. Because Naples is a primary commercial port facility with access to quality ship repair facilities, it provides a logistics environment not easily found elsewhere in theater. Solutions to the problems in Agnano must provide for this capability.

4. Administrative Support - Like any US military installation, personnel support must also be provided. This support takes many forms. The Department of Defense Dependents Schools (DODDS) system is a large part of this administrative support. The current system is an extremely expensive operation when evaluated on a per student basis. Reasons for this can be attributed primarily to the dispersal of the two facilities, the high school in Agnano and the elementary school in Pinetamare, 30 minutes north of Agnano. The primary long range objective of DODDS is to collocate these two facilities to achieve economies of scale in the following areas:

- Collocated Support services
 - administrative offices and personnel
 - single gymnasium
 - single cafeteria
- Reduction in teacher positions
- Significant reduction in bussing expenses

B. Assumptions / Criteria

1. Study Assumptions - The following general assumptions were made in conducting the investigation into alternatives:

- a. The U.S. Navy's long term objective is to relocate its facilities from Agnano for life safety, operational, medical, security and seismic reasons.
- b. The site at Capua will be provided to the U.S. Navy by the Government of Italy (GOI) as requested. If the US Navy withdraws its request for the Capua land, the Italian Ministry of Defense (MODI) will allow the funds, and the Office of the Secretary of Defense (OSD) will allow the non-recurring cost (NRC) waivers available for the Capua acquisition to be used to purchase critically needed land at Sigonella.
- c. There is adequate land, financial and technical capability and interest to lease/construct non-operational facilities for the U. S. Navy in the greater Naples area. It is feasible to construct these all within a single perimeter.
- d. There is limited MODI land presently available at Capodichino airport, Comiso and Sigonella, Sicily that has been ceded to the U.S. Navy by the Government of Italy subject to the Bilateral Infrastructure Agreement.

- e. The Ground Launched Cruise Missile (GLCM) facility at Comiso Air Station could be available to the U.S. Navy for potential use within three years after ratification of the Intermediate Nuclear Force (INF) Treaty.
 - f. Construction on land provided by the Government of Italy is normally by Military Construction (MCON). Lease-purchase may also be an option providing enabling legislation is enacted to allow application of lease payments toward purchase of the facility.
 - g. Construction on private land must be by lease - construction. Lease-construction with installment purchase may also be an option providing enabling legislation is enacted. This eliminates perpetual lease payments and allows those made to contribute to eventual purchase of the facilities.
 - h. The cost to procure a building through lease-construction exceeds the cost to procure the same building by MCON. However, the exact cost under lease - construct alternatives can only be determined after the request for proposal process is complete.
2. Evaluation Criteria. All proposed alternatives were evaluated against the set of predetermined criteria listed below.

OPERATIONS

Communications- How conducive is the alternative to establishing the Mediterranean communications hub? Does it provide proper satellite look angles and proper connectivity?

NATO Interface- How well does the the alternative allow for interface between NATO and US commanders? How well does it provide for administrative support to the US element at AFSOUTH?

Medical- How well will the alternative allow for rapid access of both fleet and local patients to comprehensive medical care?

Fleet Support- Does the alternative provide for adequate support of fleet personnel while in port?

SECURITY

Physical- How well does the the alternative lend itself to anti-terrorist measures?

Defense- How well can this alternative be defended, both from air and from ground attacks?

SEISMIC/VOLCANIC

Volcanic- Is the alternative safe from volcanic eruption?

Bradyseismic- Is Bradyseism a factor at the proposed site? If so, can buildings on the sites of this alternative be constructed or repaired to withstand Bradyseismic earthquakes?

Tectonic- Can buildings on the sites of this alternative be constructed or economically repaired to withstand expected tectonic earthquakes?

ACQUISITION

Political- How will the alternative be accepted by both the local population in Agnano and at the site of new construction?

Real Estate- Is land available to perform construction?

Timing- Can the proposed construction begin when funding is provided?

PHYSICAL CHARACTERISTICS

Access/traffic- Is multiple access provided to the site? Is the existing infrastructure sized to meet any projected increases in traffic?

Expansion Potential- Does the alternative allow for the possibility of future expansion if required or does selection of the alternative remove flexibility in long range plans?

Consolidation- Does the alternative allow for consolidation of all Navy functions within an area?

QUALITY OF LIFE - Does the alternative adequately meet the morale, welfare and recreation needs of service members and their dependents stationed overseas?

C. Alternatives Examined

The group examined the seven alternatives listed below. A complete description of these alternatives, advantages and disadvantages for each, and cost data is outlined in Appendix A.

Alternative I	Siting at Capua
Alternative II	Mixed siting at Capua and Agnano
Alternative III	Partial relocation to Comiso
Alternative IV	Maximum relocation to Comiso
Alternative V	Partial relocation to Sigonella
Alternative VI	Maximum relocation to Sigonella
Alternative VII	Partial relocation to Capodichino

In considering any remaining presence in Naples, the group made the following observations regarding facilities in Agnano.

1. The Navy must vacate the Agnano high-rise buildings at the earliest possible time. As stated previously, the Command Center, high school, Marine barracks and hospital are all located in this type of structure. New construction is required to correct the critical operational and life safety deficiencies of these facilities. From an engineering perspective, the high rise buildings present an unacceptable level of risk to building occupants which can only be reduced, not eliminated through repair work. The high rise buildings in Agnano must be vacated.
2. The Navy must also vacate the Agnano low-rise buildings as soon as practicable. Exposure to volcanic eruption and terrorism cannot be minimized in Agnano and therefore, the Navy must relocate. However, if necessary building upgrades for

earthquake safety are made and traffic and access problems corrected, the Navy could accept the risk of remaining in the remaining Agnano low-rise buildings on an interim basis.

3. Construction of new facilities under any of these options can be under a variety of procurement options; MCON, lease and lease-construction. Additionally, installment purchase options can be included as part of either type of leasing contract. Cost data presented in this report identifies only MCON costs for facility construction. As mentioned earlier, estimates for lease options cannot be determined until after review of proposals. However, intuitively, MCON costs will be lower than lease-construction costs due to necessary lessor financing arrangements when equivalent alternatives are compared.
4. Lease-purchase could be used at the site in Capua, in Agnano, or at some other site proposed by a prospective lessor. However, the use of competition wherein multiple offers can propose leasing alternatives, with selection based on a combination of price and other factors such as quality, security, location and access is normally preferable.

III. ANALYSIS OF THE ALTERNATIVES

A. Alternative I. Siting at Capua - The House and Senate Appropriations Committees' Conference Report identified that the Navy should develop an operationally effective but more economical plan than the \$260 million (FY89 dollars) construction program presented during the FY88 hearings (\$245 million in 1988). The alternative proposed herein would save \$33 million by not constructing any facilities which do not currently exist in the Agnano complex. Although the need for those facilities has been documented in prior studies, the Navy would agree to eliminate them from the budget request.

Relocating to Capua without these facilities would accomplish the established goals of Project Pronto but will not improve the Quality of Life deficiencies which exist in the Naples complex. This alternative would provide an expeditious solution to the Naples problems. Construction could begin with FY 88 funds utilizing existing designs on land being provided by the Government of Italy.

Certain facilities at Capua could also theoretically be constructed under a lease-purchase agreement if enabling legislation is obtained. The HASC/SASC conference report questioned the affordability of Project Pronto in the MCON budget. Leasing options could reduce the MCON budget requirements to that required to construct the C3/I, hospital, and site utilities. Although the life-cycle cost of leasing is potentially more expensive than MCON, the other benefits may warrant the increased cost. However, the C3/I facility, hospital, and general site improvements must be MCON funded. All other projects could be considered for lease-purchase.

B. Alternative II. Mixed Siting at Capua and Agnano - In the House Armed Services Committee and Senate Armed Services Committee conference report on the FY88 MCON Authorization request, it was urged to explore alternative ways to improve physical security and access to the Agnano complex. This alternative would accomplish the project objectives with respect to the C3/I facility, marine barracks, hospital and the high school which are currently located in unsafe and operationally substandard Agnano high rise buildings by building new facilities at Capua.

Approximately \$17.5 million would be required to provide interim seismic upgrades and repairs to the remaining Agnano low-rise facilities. Additionally, improvements to traffic and access to the compound would be required to ensure a safe operating environment. The Navy is

continuing to press for local action to provide these interim traffic and safety improvements. However, based on historical precedent, the probability of success is indeterminate.

This alternative would also allow expeditious solution to some of the Naples problems in that construction could begin with FY88 funds. However, it is considered only an interim solution since a significant number of personnel would continue to be exposed to the risk of volcanic eruption and to the terrorist threat at these "soft" targets.

This alternative exacerbates the existing situation of badly dispersed Naples area facilities. The personnel working at the Capua site would have limited personnel support facilities available to them. Also, operating costs inherent in operating two separate bases would be increased.

Under this alternative, the Navy would consider offers from multiple sources to provide leased facilities similar to those in Agnano rather than conducting future sole source negotiation with the present landlords.

C. Alternative III. Partial Relocation to Comiso - In the House Appropriations Committee and Senate Appropriations Committee conference report on the FY88 MCON Appropriations Bill, it was noted that a HAC (S&I) staff report indicates relocation of the Navy's consolidated C3/I mission for the southern region from Naples to Comiso was a more cost effective option than relocation from Agnano to Capua.

Under this alternative, the Navy could relocate the ASW command and control mission into existing spaces at Comiso. While it is technically possible to relocate the Communications Area Master Station to Comiso, it is not possible to relocate it to existing facilities. Therefore, the consolidation of C3/I functions is not accomplished under this option.

Relocation of the ASW mission does not solve any of the Agnano problems, with the exception of new command and control spaces. The facility and life-safety deficiencies in the Agnano facilities must still be corrected either through MCON or through lease-construction outside of the Agnano crater. For this, land of similar size to the site at Capua would still be required. Consequently, the only construction savings realized under this option is the elimination of the requirement for new command and control facilities.

However, by using Comiso, the Navy significantly increases operating expenses. The Navy would be forced to staff support billets in Comiso far in excess of the Naples staffing reductions realized through the relocation of the ASW function. This is compounded by the poor utilization of the Comiso facilities caused by relocating only the ASW function. For this Comiso alternative to become attractive, the Navy would need to relocate sufficient Agnano functions to fully occupy all of the Comiso facilities.

Existing water and trash disposal problems at Comiso are slightly less severe under this alternative compared to Alternative IV, Maximum Relocation to Comiso but remains a serious problem. Local road conditions are considered to be a serious disadvantage due to the requirement for frequent travel between Sigonella and Comiso.

D. Alternative IV. Maximum Relocation to Comiso - The Navy's use of Comiso is more viable if all of the existing facilities that have been constructed for the Air Force at Comiso are used. This would allow the Navy to consolidate its residual presence and support requirements in Naples at Capodichino. This alternative would construct a new, consolidated C3/I facility at Comiso on land yet to be determined. Available land is at a premium at Comiso. Three options exist for construction of the C3/I. These options include gaining MODI approval for use of the central runway area, resiting the 460 units of family housing currently under construction, and demolition of the existing GLCM shelters. Only the first two of these options would allow FY 89 construction. Demolition of the GLCM shelters can not begin until three years after INF Treaty ratification.

The remaining facilities would be available for immediate Navy use three years from the ratification of the INF Treaty. Of particular interest is the availability of the 920 units of family

housing already contracted for and partially constructed. This housing could be used by the families of the service members relocated to Comiso and possibly by families of the members of the Sixth Fleet flagship relocated to Augusta Bay. Available, convenient housing is not provided under any of the other options considered in Sicily.

This alternative also realizes construction costs savings in medical facilities. By significantly reducing the Naples population, the Navy would be able to relocate its central referral hospital from Naples to Sigonella and construct only a small hospital/clinic in Naples. Construction of this facility is envisioned at Capodichino as part of a multi-use facility to house and support all of the remaining Naples functions. This would enable the Navy to fully vacate the Agnano crater once the Comiso facilities become available. The DODDS facilities could be consolidated in the Pinetamare area.

Another potential attraction this option offers is the possible use of the existing Non-recurring Costs waivers earmarked for the acquisition of Capua land for acquiring urgently required land at Sigonella.

The limited availability of water in the Comiso valley is a significant disadvantage of this alternative. The height of the aquifer which supplies water to both the base and neighboring towns has declined 90% since the GLCM base opened. The severity of the problems is reflected by current Air Force considerations to leave vacant 150 units of family housing pending resolution of the water shortage. Under this alternative, the Navy would increase the current population by approximately 35% further compounding the water shortage.

MODI has been attempting to solve this problem for years and has determined that water must be piped from outside the valley. There may be strong political resistance to depleting the water supply from another Sicilian area to meet the needs of the Comiso area. Because of this, and the high cost of effecting any solution, it appears risky to assume a solution can be found in the near term.

E. Alternative V. Partial Relocation to Sigonella - This alternative would make effective use of GOI owned real estate now firmly under Navy control at Capodichino in Naples and at NAS II in Sigonella. Existing facilities could support functions relocating to Augusta Bay, Sicily, where, with MODI approval, the Navy could relocate the homeport of the Sixth Fleet flagship.

Relocation of the Communications Area Master Station (CAMS) is not accomplished by relocating only the ASW command and control mission to Sigonella. Construction of adequate spaces for the CAMS mission is still required and must be accomplished through MCON in the Naples area. Correction of these vital communications deficiencies is delayed under this option pending site acquisition and MCON programming. Under this option, communications connectivity for ASW operations is not improved.

Likewise, relocation of the ASW mission to Sigonella would not alleviate the requirement to resolve the facility problems in Agnano. Relocation of the functions out of the crater is still required. Therefore, land of size similar to the site at Capua would still be required for construction of these facilities. Because of this, there is only minimal construction savings realized under this alternative.

Of operational advantage is the concentration of ASW tactical commanders, Fleet commander, and deployed ASW patrol squadrons in a central Mediterranean location. Naples, under this option, would remain a concentration point for US personnel, justifying the requirement for the central medical referral facility to remain in the Naples area. The hospital presently designed for Capua could be site adapted for use at Capodichino in support of this requirement.

F. Alternative VI. Maximum Relocation to Sigonella - This alternative would construct the full C3I facility in Sigonella near the Fleet Commander and deployed ASW Patrol squadrons and would relocate all functions possible from Naples to Sigonella. The SIXTH Fleet

components moving to Augusta Bay would be served by existing facilities there and new facilities leased to replace the ones currently occupied in Gaeta.

This alternative also realizes construction costs savings in medical facilities. By significantly reducing the Naples population, the Navy would be able to relocate its central referral hospital from Naples to Sigonella and construct only a small hospital/clinic in Naples. Construction of this facility is envisioned at Capodichino as part of a multi-use facility to house and support all of the remaining Naples functions. This would enable the Navy to fully vacate the Agnano crater once the new Sigonella facilities become available. The DODDS facilities could be consolidated in the Pinetamare area.

The operational units moved to Sigonella would require a marginal increase in support facilities and support personnel there, and a significant reduction in theater-wide operating costs would result since only one major support base will remain. It will increase the urgency and importance of acquiring additional land at Sigonella, but it will eliminate the need for GOI to acquire the site at Capua. The funds held by MODI for the Capua purchase and the existing NRC waivers to compensate MODI therefore would potentially be available for the acquisition of critically needed land in Sigonella.

The increased need for already scarce family housing units in the Sigonella area must be accommodated by some combination of MCON and lease-construction. This is necessitated by the practical infeasibility of utilizing existing Comiso housing. Use of Comiso housing would require the addition of billets to staff and maintain the support facilities there and is beyond the acceptable DOD commuting area.

G. Alternative VII. Partial Relocation to Capodichino - This alternative would construct a command control and communications center at Capodichino. Portions of the Communications Area Master Station (CAMS) would remain in the current spaces. The SIXTHFLT would remain in Gaeta. A hospital, administrative facility for remaining staffs, support facilities and parking structures would be constructed at Capodichino. A high school would be lease-constructed outside of the Agnano area. The remaining support functions would remain in Agnano until replacement facilities could be obtained. Complete relocation and consolidation of the CAMS function is not accomplished by this alternative. Naples, under this alternative would remain a concentration point for US personnel, justifying the requirement for a hospital in the Naples area.

To be able to construct the concentration of facilities at Capodichino under this alternative additional land on the east end of the Capodichino compound currently owned by the Italian Government is required. The high concentration of personnel at Capodichino also requires support facilities to be constructed for the resultant base loading.

H. Summary

In summary, and as fully described in the Appendix, the major costs for the six alternatives are summarized below.

Annual Alternative		Construction		Support ¹
I	Siting at Capua	\$227	Million	\$65 million
II	Mixed Siting at Capua and Agnano	\$180	Million	\$67 million
III	Partial Relocation to Comiso	\$(130-160) ^a	Million	\$79 million
IV	Maximum Relocation to Comiso	\$(90-120) ^a	Million	\$76 million
V	Partial Relocation to Sigonella	\$(160-190) ^a	Million	\$64 million
VI	Maximum Relocation to Sigonella	\$(180-210) ^a	Million	\$60 million
VII	Partial Relocation to Capodichino	\$(90-120) ^a	Million	\$65 million
	Project PRONTO	\$260	Million ^b	\$64 million

Note 1. These costs are estimates of total base operating support costs for Navy facilities in the Naples area and Sicily as applicable for each of the alternatives. Because Navy use of Comiso occurs only under Alternatives III and IV, no cost for Comiso is included under the other alternatives. The numbers shown reflect projections of staffing, support contracts, and utility costs and are based on projected personnel loadings for each of the various alternatives. They are only of sufficient accuracy to enable order of magnitude type comparisons.

Note 2. Estimates for these alternatives can only be determined with this degree of accuracy. Variables which affect the quality of these estimates include lack of completed Master Planning, designs, uncertainty as to the size of the relocated population, or uncertain land status.

Note 3. This alternative is provided for reference only. It represents the FY89 cost of the full project as submitted previously. Increases are due to inflation and changes in the foreign currency exchange rate. This figure must be used to equitably compare the alternatives proposed here.

General Note: Under any of the options relocating the Sixth Fleet Flagship to Augusta Bay, facility construction costs must be included. However, since support facilities could be leased at either Gaeta or Augusta Bay, total costs of any of the alternatives is not affected by the relocation of Flagship.

IV. CONCLUSIONS

In view of the foregoing, the decision to relocate to Capua is reaffirmed. This alternative represents a carefully planned and designed construction program which meets all of the project objectives while minimizing transition time and costs. It remains the preferred alternative.

Notwithstanding the above, in view of MCON budget constraints and the need to relocate personnel out of the substandard high rise facilities as soon as practicable, partial relocation to Capodichino or maximum relocation to Comiso or Sigonella would be acceptable in order to achieve early correction of the operational and life safety deficiencies in the existing Agnano crater.

The partial relocation to Capodichino represents a lower construction cost and provides a near term solution to the most pressing facility problems in Agnano. Relocation to Comiso represents a lower construction cost. However, severe lack of available water and high operating cost associated with staffing another support base impacts this alternatives feasibility and cost effectiveness. Relocation to Sigonella minimizes long-term operating costs and succeeds in resolving the problems in Agnano. Existing land and housing problems at Sigonella would be exacerbated in the near term but could be resolved in the long term.

Appendix A-I Siting at Capua

Description: Construct new facilities to replace only the facilities currently existing in Agnano. Construct these facilities at the proper size as determined by the Naples military population. The following projects originally submitted in each of the past two years are no longer proposed for construction.

Project

P-154 Elementary School	P-165 Ammunition/Kennel facilities
P-146 BOQ/BEQ	P-166 Site Utilities Phase III
P-149 Senior Officer Housing	P-167 Navy Lodge
P-160 BEQ	P-168 Youth Center
P-164 Bowling Alley	

Advantages:

- Eliminates Bradyseismic and volcanic threat.
- Italian government committed to land acquisition.
- Design and land acquisition in advanced stages.
- Construction can begin with FY 88 funds.
- Facility expansion can be accommodated.
- Facilities consolidated
- Excellent C3/I building and superb communication systems.
- Excellent port and airfield services available for support to the fleet.
- Security maximized through location within single perimeter.

Disadvantages

- Resistance from Agnano landowners and lobbyist.
- Site further away from metropolitan services/AFSOUTH.
- No improvements in "Quality of Life" deficiencies.

Construction Costs:	(\$000)
MCON	
New Construction	149,100
OSDHA	31,000
DODDS	15,900
Non Appropriated	30,700
Total	\$226,700

Appendix A-II Mixed Siting at Capua and Agnano

Description: Construct new facilities to replace only the command center, the hospital and the high school. Construct these facilities at the proper size as determined by the Naples military population. Continue leasing facilities for those functions that remain in Agnano until permanent replacements can be obtained. Make repairs and improvements as necessary.

Advantages

- Italian government committed to land acquisition.
- Agnano and Pinetamare landowners eager to lease new facilities.

- Construction can begin with FY 88 funds.
- Facility expansion can be accommodated.
- Excellent C3/I building and communication capability.
- Excellent port and airfield services available for support to the fleet.

Disadvantages

- Continues volcanic exposure to significant number of people.
- Continues to expose "soft" targets to terrorist threat.
- Facilities more widely dispersed than existing.
- No MWR facilities at Capua.
- Majority of support personnel remain in Agnano
- No new quality of life facilities constructed in the Naples area..

Construction Costs:	(\$000)
MCON	
New Construction	116,000
Repair	17,500
OSDHA	31,000
DODDS	15,900
Non Appropriated	0
Total	\$180,400

Appendix A-III Partial Relocation to Comiso

Description: Locate the proposed ASW function in existing command and control facilities at Comiso. Locate the Staff in Naples to Capodichino. Relocate COMSIXTHFLT to Augusta Bay, Sicily. Construct the hospital at Capodichino through Military Construction and acquire through leasing replacement facilities for the remaining Agnano functions. Use excess Comiso housing as overflow Augusta Bay / Sigonella housing.

Advantages:

- Utilize excellent facility infrastructure at Comiso.(MWR, Housing, School)
- Reduces Military construction costs.
- Locates ASW function near Fleet Commander.
- Allows for use of NRC waivers to acquire needed land at Sigonella.

Disadvantages:

- Duplication of communications services in Naples and Sicily.
- Fails to collocate Communications Area Master Station with operational commanders.
- Introduction of additional communications links.
- Introduces requirement for additional support base.
- Long term operating costs are increased.
- Major water, roads and landfill problems exist for which no solution has been identified.
- Soviet verification may affect base operations for thirteen years.
- Exceeds one hour commute time for those working at Sigonella and Augusta Bay.
- INF Treaty ratification in progress.
- Increases C3/I transition time and cost.

- USN must negotiate new MOU with MODI to relocate the Sixth Fleet Flagship to Augusta Bay.

Construction Costs:	(\$000)
MCON	
Naples	95,000
Comiso	3,000
OSDHA	31,000
DODDS	0
Non Appropriated	0
Total	\$129,000

Appendix A-IV Maximum Relocation to Comiso

Description: Construct consolidated C3/I facility at Comiso. Relocate all possible tenant commands to existing Comiso facilities. Construct multi-use facility for the remaining staff in Naples and a small hospital at Capodichino. Relocate COMSIXTHFLT to Augusta Bay.

Advantages:

- Constructs required operational facility for C3/I.
- Fully utilizes Comiso support infrastructure (School, housing, MWR)
- Reduces construction cost.
- Vacates Agnano facilities.
 - Eliminates volcanic and Bradyseismic risk.
 - Reduces terrorist threat.
 - Eliminates leases and associated lease expenses.
- Potential use of NRC waivers to obtain urgently required land at Sigonella.
- Reduces Hospital construction costs by consolidating to one major hospital.
- Consolidates local DODDS system in existing Pinetamare facility.

Disadvantages:

- Must displace either existing bunkers, planned housing or use GOI held runway area to site the C3/I
- Negative impact on Naples economy.
 - Drastic reduction in local nationals employed.
 - Drastic reduction of dollars injected in economy.
- Soviet inspection may affect base operations for 13 years.
- Requires redesign/resiting of Sigonella Hospital to Mediterranean referral facility.
- Increases C3/I transition time and cost.
- USN must negotiate new MOU with MODI to relocate the Sixth Fleet flagship to Augusta Bay.
- Introduces requirement for an additional support base.
- Long term operating costs are increased.
- Major water, roads, and landfill problems exist for which no solution has been identified.
- Significant increase in theater-wide support costs.

Alternative IV

Construction Costs:	(\$000)
MCON	
Naples	30,000
Comiso	63,000
OSDHA'	21,000
DODDS	0
Non Appropriated	0
Total	\$114,000

Note 1. Assumes construction of central Mediterranean referral hospital at Sigonella (\$35M), construction of small branch clinic/hospital in Naples (\$6M), and deletion of proposed hospital in Sigonella (\$20M).

Appendix A-V
Partial Relocation to Sigonella

Description: Locate the ASW function to a facility adjacent to the FY90 ASW Operational Center (ASWOC) at Sigonella. Construct multi-use facility for the remaining staff in Naples and a hospital at Capodichino through military construction. Acquire through leasing replacement facilities for the remaining Agnano functions. Relocate COMSIXTHFLT to Augusta Bay, Sicily.

Advantages:

- Reduces additional construction and support requirements by locating at existing base.
- Locates ASW function near Fleet Commander and VP assets.
- Potential use of NRC waivers to acquire needed land at Sigonella.

Disadvantages:

- Duplication of communications services in Naples and Sicily
- Fails to collocate Communications Area Master Station with operational commanders
- USN must negotiate new MOU with MODI to relocate Sixth Fleet Flagship to Augusta Bay
- Adds another key military target in Sigonella
- Uses last athletic field at Sigonella (NAS II) for construction site
- Increases C3/I transition time and cost
- Requires MODI land to build new facility for NAVCAMSMED in Naples
- Exacerbates existing housing problems short term

Construction Costs:	(\$000)
MCON	
Naples	51,000
Sigonella	40,000
OSDHA'	31,000
DODDS	0
Family Housing'	14,000
Non Appropriated	28,000
Total	\$164,000

Note 1. Assumes that no Comiso housing is used to support requirements from Sigonella. This is due to both the commuting time between Sigonella and Comiso and to the additional support costs required to operate both locations.

Appendix A-VI Maximum Relocation to Sigonella

Description: Construct consolidated C3/I facility at Sigonella. Relocate all tenant commands to Sigonella facilities and construct new facilities there as required. Construct multi-use facility for remaining staff in Naples and a small medical facility at Capodichino. Relocate COMSIXTHFLT to Augusta Bay.

Advantages:

- Constructs required operational facility for C3/I near Fleet Commander and deployed ASW squadrons.
- Utilizes existing Sigonella support infrastructure (MWR, School)
- Lowest theater-wide operating costs.
- Vacates Agnano facilities.
 - Eliminates volcanic and Bradyseismic risk.
 - Reduces terrorist threat.
 - Eliminates leases and associated lease expenses.
- Potential use of NRC credits to obtain urgently required land at Sigonella.
- Reduces Hospital construction costs by consolidating to one major hospital in Sigonella.
- Consolidates local DODDS system in existing Pinetamare facility.

Disadvantages:

- Negative impact on Naples economy.
 - Drastic reduction in local nationals employed.
 - Drastic reduction of dollars injected in economy.
- Requires redesign/resiting of Sigonella Hospital as Mediterranean referral facility.
- Increases C3/I transition time and cost.
- USN must negotiate new MOU with MODI to relocate the Sixth Fleet flagship to Augusta Bay.
- Land and housing problems exacerbated short term

Alternative VI

Construction Costs:	(\$000)
MCON Naples	30,000
MCON Sigonella	91,000
OSDHA ^a	21,000
DODDS	0
Family Housing ^a	49,000
Non Appropriated	8,000
Total	\$180,000

Note 1. Assumes construction of central Mediterranean referral hospital at Sigonella (\$35M), construction of small branch clinic/hospital in Naples (\$6M), and deletion of proposed hospital in Sigonella (\$20M).

Note 2. Assumes that no Comiso housing is used to support requirements from Sigonella. This is due to both the commuting time between Sigonella and Comiso and to the additional support costs required to operate both locations.

Appendix A-VII Partial Relocation to Capodichino

DESCRIPTION: Construct new facilities to accommodate the functions currently housed in existing substandard high rise buildings (C2I and NSA Naples) and selected support facilities at Capodichino. Construct a new hospital at Capodichino and provide structured parking. Repair and continue leasing substandard low rise facilities in Agnano until permanent replacements can be obtained. Relocate the high school in new lease-constructed facilities out side Agnano. Portions of NAVCAMSMED would remain in place until separate MCON replacement becomes available.

ADVANTAGES:

- Agnano and Pinetamare land owners eager to lease facilities.
- Excellent port and airfield services available for support to the fleet
- Provides improved C3I and Medical facilities
- Moves personnel out of High Risk buildings in Agnano
- MCON cost is lower

DISADVANTAGES:

- Continues volcanic exposure to personnel in Agnano
- Does not completely collocate Communications Area Master Station facilities with operational commanders
- Requires MODI land to build new facilities for NAVCAMSMED
- No sustainability/hardening of facilities
- Continues to expose "soft" targets to terrorist threat
- No new quality-of-life facilities constructed in the Naple area.

COSTS: (Note 1)	\$000
MCON New construction	68,200
OSDHA	17,400
DODDS	0
Non-Appropriated	6,000
Total	\$91,600

Note 1. Repair cost of approximately \$17,500 K would be required in the low rise facilities in Agnano. Lease construct costs not included.

**Appendix A-VIII
Project Pronto**

Description: This appendix identifies the projected FY89 construction cost for the program proposed in FY88. It is outlined here for comparative purposes only.

CONSTRUCTION COSTS (\$000):

	FY88	FY89*
MCON	147,000	159,700
OSDHA	30,000	31,000
DODDS	24,000	24,000
Family Housing	1,500	1,500
Non Appropriated	43,200	44,100
TOTAL	\$245,700	\$260,300

Note: 1. Cost increase are due to price escalation and changes in foreign currency exchange rates only.

FACILITY JUSTIFICATIONS

Senator SASSER. Have you developed the 1391 justification forms for each required facility at the new site?

Admiral MONTOYA. We have cost estimates, sir. The answer is yes, because we are going to be site adapting.

Senator SASSER. When can you provide it to the subcommittee?

Admiral MONTOYA. We are site adapting a couple of previous facilities we have already done some work upon. But we will provide that for the committee in the record.

[The information follows:]

1. COMPONENT NAVY	FY 1989 MILITARY CONSTRUCTION PROJECT DATA		2. DATE 26 Apr 88
3. INSTALLATION AND LOCATION NAVAL SUPPORT ACTIVITY, NAPLES, ITALY		4. PROJECT TITLE COMMAND CONTROL COMMUNICATIONS AND INTELLIGENCE COMPLEX (INCREMENT I)	
5. PROGRAM ELEMENT 2 47 96 N	6. CATEGORY CODE 143.65	7. PROJECT NUMBER P-126	8. PROJECT COST (\$000) APPR: 21,600 (I)

9. COST ESTIMATES

ITEM	U/M	QUANTITY	UNIT COST	COST (\$000)
COMMAND CONTROL COMM & INTELLIGENCE COMPLEX	LS	-	-	49,800
BEQ (I)	SF	32,500	-	(3,200)
BASE ADMIN (I)	LS	-	-	(6,000)
STAFF MULTI-PURPOSE FACILITY (I)	LS	-	-	(1,800)
C3/I FACILITY (II)	SF	183,000	-	(30,700)
PARKING STRUCTURE (II)	LS	-	-	(5,500)
SECURITY FACILITY (II)	SF	10 000	-	(1,100)
BEQ (II)	SF	29,500	-	(1,500)
SUPPORTING FACILITIES	LS	-	-	11,800
UTILITIES (I)	LS	-	-	(8,400)
UTILITIES (II)	LS	-	-	(3,400)
SUBTOTAL	-	-	-	61,600
CONTINGENCY (5%)	-	-	-	3,080
ESTIMATED CONSTRUCTION COST	-	-	-	64,680
SUPERVISION, INSPECTION & OVERHEAD (5.5%)	-	-	-	3,550
TOTAL BUDGET REQUEST	-	-	-	68,230
TOTAL BUDGET REQUEST (ROUNDED)	-	-	-	68,200
EQUIPMENT OTHER APPROPRIATIONS	NON ADD	-	-	(38,210)

10. DESCRIPTION OF PROPOSED CONSTRUCTION

Multi-story structures designed to optimize security of occupancies and internal functions, with administrative and support facilities to include multipurpose facilities, BEQ space, parking structures and site infrastructure.

11. REQUIREMENT: As required.

PROJECT: Provides a secure Command, Control, Communications and Intelligence (C3/I) facility at the Capodichino airfield on U.S. controlled land. The project is programmed in two increments. The FY89 Program begins redevelopment of Capodichino with a utilities and infrastructure upgrade, BEQ space and support functions. The FY90 increment will construct the C3/I facility, multi-purpose building, parking structures and complete the site infrastructure.

REQUIREMENT: A safe, survivable, earthquake-proof Command, Control, Communications and Intelligence (C3/I) complex to accommodate staffs that report directly to Commander in Chief, US Naval Forces, Europe. These staffs are based in Naples and maintain operational control over U.S. Forces at sea in the Mediterranean region, including attack and ballistic missile submarines, patrol aircraft, reconnaissance aircraft, and the combat logistics force (replenishment ships). Operations must be sustained in peacetime and during conflicts. Also, space is needed for controlling fleet logistics support, i.e. movement of personnel, fuel, ammunition, and stores. Functions such as search and rescue, and control of Navy's shore bases throughout Southern Europe must also be housed in Naples.

A critical need exists to collocate staffs and operational communications, centralizing all facets of C3/I in a single building. Benefits gained will include more reliable and integrated command of Naval forces deployed to the Mediterranean in peacetime, in reacting to contingencies there, or in wartime. The location in Naples of U.S. C3/I functions is directly related to the presence there of NATO HQ Allied Forces, Southern Europe (AFSOUTH), with its large U.S. contingent and responsibility for wartime direction of certain U.S. forces.

CURRENT SITUATION: C2/I personnel and equipment are situated in leased buildings in the Agnano area of Naples. The operational communications function is located in the AFSOUTH Bagnoli compound, two miles distant. The Agnano facilities, built twenty-two years ago, were not designed to resist earthquakes and tremors that occur in Naples, hence a danger of sudden and catastrophic collapse exists. This portends disaster for the

1,000 people who work and stand watches in the C2/I building round-the-clock, and for the continuity of reliable and timely command of Sixth Fleet and other U.S. elements operating in the Mediterranean. The leased facilities are outmoded and undersized for today's situation. Techniques for handling, manipulation, processing and display of tactical and strategic information in the present Operations Control Center are of WW II vintage. Space is not available, and utilities back-up is lacking, for modern communications suites. Plotting boards are rolled into place on tracks and charts are manually marked-up. Watch standers are severely crowded and must share space. Requirements grew heavily over the past twenty-years, but the physical limits of a leased building prevented its growing with them. Fifteen countries (only five of them NATO allies) share the Mediterranean coastline. Naval force structures of the countries grew substantially over the past twenty years such that on any given day more than 2,000 ships (over 1,000 tons) now operate in the Mediterranean, many of them submarines. The continuous soviet presence is forty-five ships. The Sixth Fleet's responsibilities have grown commensurately, and the need to react to changing situations is much more complex. Seismic activity increased in 1982-1984 causing cracking, spalling and heightened concern. Interim repairs are in progress to reduce damage and risk. Technical studies recommend relocation as the only feasible, long-term solution. Located in densely developed Agnano crater, with heavy traffic and narrow streets restricting mobility, and high ground surrounding on all sides, the Navy's complex cannot be secured against terrorism.

IMPACT IF NOT PROVIDED: Potential catastrophic loss of personnel and Sixth Fleet C3/I capability because of an earthquake. Potential interruption of C3/I, with serious degradation of ability to carry-out mission. Unable to install modern data processing, display and analysis equipment, efforts within authority available to minimize danger, but precluded by physical limitations from going much further with such measures.

ADDITIONAL: Prefinancing under NATO procedures is not planned for this project, as it is not within an established NATO infrastructure category for common funding, nor is it expected to become eligible.

COMMAND, CONTROL, COMMUNICATION, AND INTELLIGENCE FACILITY

Senator SASSER. As you know, the subcommittee has supported the Navy's position that a new command, control, communication, and intelligence facility is needed. But we are concerned with the price tag associated with the first proposal to move to Capua.

We are pleased that you have been able to scale back the cost of the proposal. But there is some remaining concern that the Navy may not have chosen the best least cost option for the Naples project.

Earlier this year we asked the staff to take a new look at the requirements in Naples and, while the subcommittee was briefed on a number of alternatives, the one that has now been chosen by the Navy was not included in that briefing.

CRUISE MISSILE BASE IN SICILY

Our information indicates that, if the Naples relocation is to go forward, that the cruise missile base in Sicily could be an appropriate site for a less cost alternative than the Navy is now proposing. Why was the cruise missile base in Sicily ruled out?

Admiral MONTOYA. One of the reasons was a matter of timing, the fact that there is still some uncertainty as to its availability. We are talking about a 3-year wait for that. But there are some considerable political issues in Italy associated with merely substituting that base from one use to another.

However, Mr. Chairman, we are very interested and have included in our long-term thinking using that base, if I may use the term, as a bedroom or support community for our existing facilities, which are overtaxed at Sigonella and any other use or expansion we may have at Sigonella or along the Sicilian coast. COMISO contains an awfully fine school there, a commissary, military family housing, that would relieve tremendous pressure on requirements that we have in the Sigonella area.

Senator SASSER. The committee continues to believe that the Navy has a legitimate need. And I must say that the latest proposal is somewhat better than the earlier proposal, but we are still concerned that we make maximum use of these cruise missile bases, where hundreds of millions of dollars have already been invested.

We will want to consider the future use of Capodichino before we sign up on any naval Naples relocation plan, I say to you, Admiral and Mr. Secretary.

NAPLES RELOCATION

Finally regarding the Naples relocation, it appears to us that the Navy has a redundant headquarters operation. First you have an extensive headquarters operation in London, and then you have an essentially duplicate headquarters operation functions in Naples.

I know that some consideration was given to scaling down or even closing London and folding these functions into Naples. At first blush, that seems to make some sense. Yet, in the proposal before us today no mention has been made of consolidating London with Naples.

Why is the consolidation not now included in this Naples relocation plan? Who wants to take a crack at that?

Admiral MONTOYA. I will answer it, but sidestep it just a bit, Mr. Chairman.

That was looked at by the commander in Europe and it is part of a study that we have with us, and I will see if I can provide that for you. There has been a consideration of the realignment of commands, and it is something being looked at here in town as proposed by the commander.

But one of the considerations in remaining in London is the fact that we have some command and control considerations in the eastern Atlantic and northern part of Europe. Therefore, to put everything into Naples would be to ignore that part of the world.

Senator SASSER. Do you wish to add anything to that, Mr. Secretary?

NAPLES CONSOLIDATION

Mr. EASTIN. Not at this time. I will commit to you to get a copy of the Naples report which touches on that. It does not deal with it in any great deal. And we will be happy to submit for the record our thoughts on that consolidation.

Senator SASSER. Thank you.

[The information follows:]

NAPLES CONSOLIDATION

The Navy's proposal to relocate its operational facilities at Capodichino succeeds in solving all of the major facilities shortcomings present in Agnano. By relocating the C³I, hospital, and barracks, the Navy vacates all of the high-rise buildings in Agnano. The Navy and its structural and seismic experts have repeatedly testified that these buildings present the most immediate threat to catastrophic collapse. Second, the reduction in Agnano population resulting from the proposed relocation will significantly reduce our operational personnel exposure to potential terrorist activity. Additionally, unlike Agnano, Capodichino is not split by public roads nor is it at the bottom of a crater. Both of these Agnano shortcomings are unsolvable security deficiencies. Construction of new facilities at Capodichino allows the Navy to design and build structures to withstand expected seismic activity and at sufficient setback from base perimeter to afford adequate security.

Preliminary planning, to adapt Capua facility plans for Capodichino, indicates a proposed C³I site of approximately 400 feet by 400 feet. Tentatively, the building will sit approximately 120 feet from the base perimeter on one side and over 450 feet on all other sides, well in excess of suggested security criteria.

In fact, when compared with the previous Capua plan, the Navy is proposing a considerably smaller development program at Capodichino for both the C³I and base support complexes. First, for the C³I complex, the building scope is reduced approximately 20 percent through elimination of hardening requirements. The support complex realizes significant scope reduction through elimination of personnel support functions such as schools, recreation centers, and resale activities from the MCON program. The administrative support facility to be constructed at Capodichino will thus simply be direct support of operational missions rather than the combined support complex proposed previously for Capua.

As presented in testimony, the Navy is also proposing to construct a comprehensive utilities complex, barracks, administration facilities, and a small resale facility as part of the Naples relocation initiative. These new facilities are also sited adjacent to existing airfield support facilities.

A single access road now connects public roads to Navy facilities at Capodichino. Construction of a second access to the base is included as part of the proposal. Because construction of this second access involves coordination with Italian officials, exact estimates have yet to be developed.

FALLON AIR FORCE BASE

Senator SASSER. I will yield to Senator Reid, who has been sitting here waiting patiently. Senator Reid.

Senator REID. Mr. Eastin, Fallon currently has a very long waiting list for family housing units, and in the small town of Fallon which is nearby there is 98 percent occupancy, which means there is nothing available. There is a Milcon project that is titled P-286 which was in the 1991 program, but, for reasons that I do not understand it slipped back to 1994.

Now, I would like you to give me some reasoning why it has dropped back and why it cannot be moved up to 1990? This naval base is used by Navy personnel from all over the country. It is very busy, becoming more so all the time, and we really need to do something about the housing there. And it would only provide 80 housing units.

Admiral, could you answer that maybe more appropriately?

Admiral MONTOYA. Yes, sir, I can, Senator Reid. The deficit in the Fallon area is approximately 180 units total.

Senator REID. I have 200, but that is fine.

Admiral MONTOYA. It is in that neighborhood.

The reason that we have not put Fallon in a higher priority is because of the severe deficit that we are experiencing and continue to experience in the very high cost, high density coastal areas, such as San Francisco, San Diego, Charleston, and so forth.

We hope through either the 801 program or better marketing that we can stimulate the business and community interests in places like Fallon, as we are doing along the gulf coast, where the price of land is not such a determining factor as it is in the large cities.

We are hoping to stimulate private business into providing us the housing we need, sir.

Senator REID. But the problem you have in Nevada is there is no land. Eighty-seven percent of the land is owned by the Federal Government in Nevada. There is no land available, and that is the real problem we have. It is not a question of how much it costs. It just is not there.

Admiral MONTOYA. Well, maybe we can make some of that land available, particularly if we own it, to a private developer who could develop some commercial housing on our property, much like we are trying to do at Earle, NJ, in which I think we will be successful, and as we have done in Norfolk.

Senator REID. Admiral, I think maybe we need a little mix here. You know, we are 200 units short. This project that we talk about, 286, only is for 80 units. And at least we should let—I have no problem letting the private sector being involved, but we should also be involved.

And I would think this needs to be looked at again and maybe have some kind of a mix. I would be happy to work with your people to see if there is some way we could stimulate some of the private sector to get involved. They have not to this point.

Admiral MONTOYA. Yes, sir; they have not. We need to do a better job, too, of getting out to them, as we have been doing in New York, learning the game in New York to get into the private sector and get people involved in our mutual best interest.

Senator REID. I am talking about the mix. Maybe we need a mix of some units to be built by the military and also in the private sector.

TOXIC WASTES FROM FALLON

There have been headlines in the Nevada papers the past week or two about some toxic wastes from Fallon that they may be seeping into the wetlands. We have a flyway where birds come in in their migrating patterns. It is called the Stillwater area.

And we have had a significant loss of wildlife the past year, and some of the reports feel that some of the toxic waste from Fallon may be contributing to that. You may not have all the answers at your disposal today, but I would like you to inform me as soon as you can if the Navy has a plan to mitigate any of the damage that such toxic waste may cause to the wetlands.

Admiral MONTROYA. We certainly will, Senator Reid. We have a very aggressive environmental program throughout the Navy, and I am sure, if we have not, that we can bring some resources to bear to get a handle on what our involvement may or may not be.

If we do not have the specifics, we certainly will have a plan we can quickly develop to get that to you, in other words a better assessment, because we do have the resources and talent to get at things like that.

Senator REID. I appreciate that.

If you would report, not only to the committee but to me, that would be appreciated.

Admiral MONTROYA. Yes, sir.

[The information follows:]

NAS, FALLON, NV, TOXIC WASTES

As part of a Navy-wide program, the Navy recently completed a preliminary study to identify potential contamination from past hazardous waste disposal practices at Naval Air Station [NAS] Fallon, NV. The study identified 21 sites which may be contaminated from past waste disposal practices. None of the sites warrant immediate remedial action. The Navy is initiating a follow-on study to test soil and water for contamination. The follow-on study will also assess any risk to human health or the environment, and will recommend remedial actions if needed. Representatives of the regulatory agencies and the public will be invited to review and comment on our investigation and any proposed remedial actions.

The Navy is not aware of information or studies which link waste sites at NAS Fallon to the loss of wildlife in the Stillwater area. Studies by other agencies last year indicated that the wildlife loss at the Stillwater Wildlife Management Area in recent years has been the result of natural causes. Nevertheless, the follow-on study will determine whether hazardous wastes are migrating and whether any of the sites require remedial action. If this study or others identify Navy waste sites contributing to wildlife or wetlands damage, corrective action will be taken in consultation with regulatory agencies and other responsible parties.

The Navy is committed to protecting human health and the environment from toxic waste, and will keep the regulatory agencies and the public informed of our actions.

LITTLE TRUCKEE RIVER

Senator REID. One last thing, Mr. Chairman. I mentioned this to you in my opening statement. We have a real problem with the Little Truckee River, where the water comes from Fallon to the Fallon Naval Air Station, the Truckee and Carson Rivers.

And as I indicated in my opening statement, the Navy leases farmland to people to grow basically alfalfa, which uses a tremendous amount of water. Two things:

One, we would like the Navy to look at maybe some other use for that land that would not use so much water. And the purpose of it is to create a barrier from the base. In case there is an accident of some kind, there would not be fires and all that.

But in addition to looking at some other use for that land, I think it would be well if the Navy does not let a long term lease to anyone for that while we are trying to work out the water problems.

Can you do that for me?

Admiral MONTROYA. I certainly will look into it, Senator Reid.

Senator REID. If you entered into a long-term lease, that would really make it difficult to work with any change in use of that water there, OK.

Admiral MONTOYA. Yes, sir; we will look into that.

Senator REID. Thank you, Mr. Chairman.

Senator SASSER. Thank you, Senator Reid.

[The information follows:]

There is a projected 5 year shortage of approximately 200 houses for families at NAS Fallon. There is a project in the fiscal year 1994 program to construct 80 homes at a cost of approximately \$10.5 million. Consideration is being given to satisfying a portion of the housing requirement through the section 801 (build-lease) program.

TACAMO RELOCATION

Secretary Eastin, one of the most controversial issues to come before this subcommittee in some time has been the relocation of the TACAMO. As you know, we have been concerned that the Navy's plan to relocate the TACAMO mission might not be appropriate, either from a cost standpoint or from a mission standpoint.

In last year's conference with the House, we gave the Navy an opportunity to make its case and to present the Congress with a new detailed report on the whole subject of TACAMO relocation.

Unfortunately, the report we received was merely a copy of the report that we had already rejected as insufficient. Now, Mr. Secretary, I know that you are concerned about this matter and that you are working on a new report to satisfy the requirement of the conferees.

What is the status of that report?

Mr. EASTIN. We submitted the report, and I have got to confess that I had not read it, nor did I check the contents of that report with the language which was submitted by yourself.

We, of course, got a letter from you which I think, shall we say, laid that out in graphic detail. I have tasked our people to come up with a much more in-detail report on that, which I would expect to have up to you in the next week or 10 days.

Senator SASSER. I would say when we get that report, if it deals with the issues which have been raised, according to the terms of the conference report the funds for fiscal year 1988 can be obligated.

But I simply cannot make any guarantees on what this committee will do for the funds you are requesting in fiscal year 1989. There is still going to be, I suspect, substantial opposition in the full committee. This is a very controversial matter.

I think this year we may have to have a vote of the full committee, and I would not be surprised to see this issue finally reaching resolution not until we get to the Senate floor. There is a lot of interest in it and a lot of controversy, and frankly my view is it is going to be settled on the Senate floor in the final analysis.

Gentlemen, I do not want to cut anybody off. General Downs, have you had a fair hearing here this morning, do you think?

General DOWNS. Yes, sir; thank you very much.

Senator SASSER. Admiral?

HEADQUARTERS REALIGNMENT

Admiral MONTOYA. Mr. Chairman, I merely wanted to confirm that which I believe I told you as late as April 19 regarding Naples. The Vice Chief of Naval Operations has written you a letter—you probably do not have it yet—saying that we are looking into the realignment of the headquarters.

We have the report from Europe on the realignment of the headquarters. I think what is key here, it says that our preliminary look indicates that our reconfiguration recommendations are consistent with the request for the Capodichino, but that you will be given a follow-on answer when we are through analyzing it in the Pentagon. But, it is in town and you will be getting a response, sir.

Senator SASSER. Thank you very much, Admiral.

CONCLUDING REMARKS

I want to express my appreciation to our Navy witnesses and the Marine Corps for being here with us this morning. The subcommittee will look forward to working with you as we near markup on the military construction bill.

Senator REID. Mr. Chairman.

Senator SASSER. Excuse me. Senator Reid.

Senator REID. Just in closing, the one question that was not answered is what Lieutenant Commander Hambrock is doing. But I have been watching all morning and I know what he has been doing.

Senator SASSER. Actually, Senator Reid, Admiral Montoya did confess that Lieutenant Commander Hambrock was there to make sure he did not make any mistakes. He said that at the outset of his testimony.

Gentlemen, thank you very much.

We will now turn to the defense agencies portion of the hearing, and we will call on Mr. Gordon K. Dowery, the Director of the Defense Medical Facilities Office. If Mr. Dowery would come forward.

DEFENSE AGENCIES' MILITARY CONSTRUCTION AND FAMILY HOUSING PROGRAMS

STRATEGIC DEFENSE INITIATIVE ORGANIZATION

Present: Senators Sasser and Specter.

STATEMENT OF MAJ. GEN. EUGENE FOX, U.S. ARMY, DEPUTY DIRECTOR
FOR PROGRAMS AND SYSTEMS, STRATEGIC DEFENSE INITIATIVE
ORGANIZATION

ACCOMPANIED BY:

COLONEL WEST, U.S. ARMY

COL. THOMAS LEIB, U.S. AIR FORCE

INTRODUCTION OF WITNESSES

Senator SASSER. We have a witness who is running late this morning, so we will now move to our SDI witness and we will hear from Maj. Gen. Eugene Fox, the Deputy Director for Programs and Systems of the Strategic Defense Initiative Organization. General Fox, please come forward. We welcome you this morning to the subcommittee. If you would be good enough to introduce your colleagues there and then proceed as you wish.

General Fox. Thank you very much. I appreciate being here and your listening to us. I have on my left Col. Tom Leib, who is chief of the project for the national test facility in Colorado, and on my right Colonel West, who is responsible for all the engineering work that has been done to plan and to build the facility. I will enter my statement for the record and just simply say that I am representing General Abrahamson.

NATIONAL TEST FACILITY COMPLETION

We have two projects in the fiscal year 1989 bill. One is a completion of the national test facility, and that is why I have these two gentlemen here. The value of that is \$72.5 million. That construction work has begun. We had a groundbreaking on March 23, and we wish to get the remainder of the money so we can complete the facility on time.

KWAJALEIN MISSILE RANGE PROJECT

The second project we have is the beginning of a ground-based radar on Kwajalein missile range—actually on Kwajalein Island—to help us in our efforts toward the strategic defense program.

[The statement follows:]

STATEMENT OF MAJ. GEN. EUGENE FOX

Thank you, Mr. Chairman, for the opportunity to appear before your committee. I am Maj. Gen. Eugene Fox, Deputy Director for Programs and Systems, Strategic Defense Initiative Organization [SDIO]. I appear before you on behalf of Lieutenant General Abrahamson, Director, SDIO, to make an opening statement and to answer your questions on the fiscal year 1989 amended budget request for military construction funding for SDIO.

The SDIO is requesting authorization and appropriation of \$88.5 million for two military construction projects. Both of the construction projects are required to support strategic defense initiative research and technology validation efforts.

This request is for completion of a facility started in fiscal year 1988 at Falcon AFS, CO, and a facility at Kwajalein missile range, Marshall Islands. Authorization and appropriation of the funds requested will support efforts needed to provide essential technical data in implementing a feasible defense strategy against ballistic missiles.

The project located at the Falcon AFS, CO, is to complete the construction which we have started for the SDI national test facility. As you know, the Congress directed phased-funding for this facility starting with \$35 million in fiscal year 1988. We greatly appreciate the support of the Congress in this endeavor because it is an extremely important one.

The fiscal year 1989 request for this facility is \$72.5 million which will bring the project to completion at an overall cost of \$107.5 million. This is an increase of \$7.5 million over the original estimate. The increase is due to the constrained fiscal year 1988 funding to begin the project. We anticipate that a delay in completion of the project by approximately 5 months from the original target date may occur as a result of the change in our original planning. Also, the potential looms for a break in construction in the absence of provisions to allow use of fiscal year 1989 funds beginning on October 1, 1988. This is a major concern and your help in accommodating a smooth transition between fiscal years is needed. We ask your support for full authorization and appropriation of the request this year.

While the cost for the national test facility is only a fraction of the total cost for SDI, it is of utmost importance to the success of the program. To judge our ability to satisfy criteria set forth for a strategic defense system, which would be more complex than any other system the world has seen, its military effectiveness and survivability must be assessed. The National Test Bed Program is designed to be the pivotal research and development tool providing the capability to develop and evaluate architectures, human interface elements, and component technologies. Further, it will permit an evolutionary approach to strategic defense system integration incorporating the required survivability and the military and cost effectiveness standards without actually building or deploying the strategic defense system.

The other fiscal year 1989 project will be located at the Kwajalein missile range and totals approximately \$16 million. It provides for the modification of existing facilities to accommodate the ground-based radar program. The project requires extensive structural modifications to the existing defense center control building on Kwajalein Island along with expanded utilities, communications, fire protection, security, air-conditioning, shielding, and raised floor systems.

Again, while the cost represents a small fraction of the overall cost for SDI, the benefits will improve the goals of the Strategic Defense Initiative Program. The upgraded facility will permit a new generation radar system, with broad applicability, to be tested against live targets. This radar will have the latest state-of-the-art equipment and will be used to conduct imaging and discriminating missions against inert reentry vehicles to evaluate target classification performance.

In summary, the projects proposed for fiscal year 1989 at Falcon AFS, CO, and the Kwajalein missile range are key elements in continuing the vigorous search for advanced defensive technologies aimed at finding ways to provide national security through advanced defensive systems.

I will be happy to answer any questions.

CAPABILITY REPORTS

Senator SASSER. General Fox, last year the committee included language requiring reports on the capabilities of the national test bed and on the SDI system architecture. Can you provide a copy of the unclassified portion of those reports so they can be printed in the record at this point, and could you summarize them?

General Fox. The unclassified reports were distributed to the Congress on January 21, 1988. Copies are attached. They describe the baseline architecture for a strategic defense system, which was approved in 1987 by the Defense Acquisition Board for further research, and the capabilities which the national test bed will provide for the SDI research program.

[The information follows:]

REPORT TO CONGRESS ON THE CAPABILITIES OF THE SDI NATIONAL TEST BED

JANUARY 1988

Prepared by the
Strategic Defense Initiative Organization

SECTION 1 INTRODUCTION

A. PURPOSE OF REPORT

This report has been prepared for the Committees on Appropriations of the United States Senate and House of Representatives pursuant to the requirements of Section 125 of the fiscal year 1988 Military Construction Appropriations Act, HJ Resolution 395, P.L. 100-202.

In the January 1985 publication, "The President's Strategic Defense Initiative," the President stated:

The Strategic Defense Initiative (SDI) is a program of vigorous research focused on advanced defensive technologies with the aim of finding ways to provide a better basis for deterring aggression, strengthening stability, and increasing the security of the United States and our allies. The SDI research program will provide to a future President and future Congress the technical knowledge required to support a decision on whether or not to develop and later deploy advanced defensive systems.

The criteria which the President has set forth for a Strategic Defense System (SDS) are military effectiveness, survivability, and cost-effectiveness.

If deployed, SDS will be more complex than any other system the world has seen. Its military effectiveness and survivability can never be completely and fully tested as a whole, short of the actual conditions of full scale conflict. Thus, the National Test Bed Program was created. The NTB will be the pivotal research and development tool providing the capability to develop and evaluate SDS architectures, human interface elements, and component technologies. The NTB will evolve in increments which directly link and support SDS integration and will eventually represent the SDS in sufficient fidelity to contribute significantly to the process of evaluating SDS

for military effectiveness, survivability, and cost effectiveness without actually building or deploying SDS.

The NTB is, of course, not the sole element of the SDI program needed to demonstrate that the strategic defenses of SDS meet the President's criteria. It is best visualized as one of many tools for SDS research, development, test and evaluation which will occur at many levels. The NTB is the principle tool that will be developed and used to represent the SDS in whatever detail is necessary and possible to support many levels of evaluation and system integration.

B. NATIONAL TEST BED (NTB) PROGRAM DESCRIPTION

The NTB program will compare, evaluate, and test alternative architecture definitions for an end-to-end layered strategic defense and its associated battle management/command, control, and communications (BM/C3). NTB will also evaluate specific technology applications in a system framework defined by these architecture alternatives. The NTB will consist of a network of geographically separated experiment and simulation facilities that will be electronically linked to simulate a layered ballistic missile defense system. At the center of this network will be the National Test Facility (NTF), which will serve as the central control and coordinating point for the NTB. The NTF will also be the major simulation activity for the SDI Program, and will develop and execute large-scale distributed simulations of the SDS. It will provide as much realism as possible within the constraints of international agreements and funding. As an integrated set of resources, the NTB will be a single national resource dedicated to the SDI for addressing the many critical issues necessary to support an informed decision on future, full-scale development and deployment of strategic defense against ballistic missiles. Other SDI efforts which will contribute to such an informed decision include the development of a technology base to support initial development and reactions to Soviet responses, as well as technology validation, consisting of many experiments that determine readiness to proceed with full-scale development.

The NTB will comply with the ABM Treaty (Ref. 5). Except for selected and time limited experiments, the NTB will not be electronically connected with the operational battle management or command and control segments of any element of the National Command Authority network for Tactical Warning/Attack Assessment (TW/AA). Since the NTF supports a long-term research mission, it will be constructed with a reconfigurable interior design and will be a simulation facility. It will not be allowed to assume the fixed operational configuration and sensor connectivity required for a command center for a future Strategic Defense System. Additionally, the NTF's above ground vulnerability make it unsuitable as an operational command center.

The participation by the NTF in actual SDI experiments will be reviewed on an ongoing basis by the DoD Treaty Compliance Group which is independent of the SDIO.

SECTION II REQUIREMENTS, GOALS AND ACQUISITION STRATEGY

A. SDS REQUIREMENTS: THE PRESIDENT'S CRITERIA

A strategic defense system that would devalue offensive ballistic missiles to a meaningful degree and, therefore, meet the long term goal of the Strategic Defense Initiative Program, will have to meet the same three specific standards that apply to other military systems.

The first requirement is military effectiveness. A defense against ballistic missiles must be able to destroy a sufficient portion of an aggressor's attacking force to deny him confidence that he can achieve his objectives. In doing so, the defense should have the potential to deny that aggressor the ability to destroy a militarily significant portion of the target base he wishes to attack. Furthermore, if a deployed defensive system is to have lasting value, technology and tactics must be available that would allow the system to evolve over an extended period to counter plausible responsive threats. Such a robust defense should have the effect of deterring a strong offensive response and enhancing stability. This report is based on the understanding that the requirements of technical feasibility mentioned in the Congressional reporting requirements are the same as those of the President's criterion of military effectiveness.

The second requirement is adequate survivability. Defenses must maintain a sufficient degree of effectiveness to fulfill their mission, even in the face of determined attacks on the defenses, including the possible loss of some individual components. Such a capability will maintain stability by discouraging such attacks. Survivability means that the defensive system must not be an appealing target for defense suppression attacks. The adversary must be forced to pay a penalty if it attempts to negate the defense. This penalty should be sufficiently high in cost and/or uncertainty in achieving the required outcome that such an attack would not be seriously contemplated. In the context of a future SDS, survivability would be provided not only by specific technical capabilities such as employing maneuver, ASAT sensor blinding, and protective shielding materials, but also by using such strategy and tactical measures as proliferation, deception, and self defense. System survivability does not mean that each and every element of the system need survive under all sets of circumstances; rather the defensive force as a whole must be able to achieve its mission, despite degradation in the capability of some of its components.

The third requirement is that options generated by research be evaluated to the degree that the defensive systems discourage an adversary to overwhelm them with additional offensive capability. The SDI research program seeks defensive options—as with other military systems—that are able to maintain their defense capabilities more easily than countermeasures could be taken to try to defeat them. This criterion is expressed in terms of cost-effectiveness at the margin; however, it is much more than an economic concept.

B. NTB REQUIREMENTS, GOALS AND ACQUISITION STRATEGY

These overall SDS requirements determine the goals and capability for the National Test Bed (NTB). The NTB will provide the means (see Section III) for system-level simulation,

evaluation, and demonstration. Models of SDS elements will be hosted on computers located in the NTB. These models, together with simulated threat, operational environment, engagement, and economic models will provide data to determine the military effectiveness, survivability, and cost-effectiveness of a future SDS. To meet these objectives, the SDIO has established several goals for the National Test Bed Program. These are:

- To establish a distributed National Test Bed consisting of currently existing and planned analytical and hardware test facilities which will provide a set of standard SDS simulation drivers and evaluation tools. These drivers will include a family of simulations for the representation of the threat environment (both natural and man-made).
- To establish the National Test Facility as the central element for the integration and operation of the National Test Bed. The NTF will be primarily a computer based simulation facility. It will also provide communications to allow the NTF to operate with other computer based or hardware-in-the-loop simulation or test facilities, as well as National Test Range assets. This integrated test and simulation capability of the NTB will provide additional confidence to simulation results than would be possible with solely computer based simulations.
- The NTB program will provide a simulation environment for the conduct of end-to-end systems simulations to support architectural analysis of the Phase I and follow-on architectures, with specific capabilities to provide detailed data on system functions and interactions.
- The NTB will support simulations and technology experiments through the collection and analysis of data.
- The NTB program will provide an experimental environment for BM/C3 by developing an end-to-end simulation capability of sufficient scope and fidelity to drive the test and evaluation of candidate BM/C3 hardware and software. This will permit the execution of candidate battle management software on commercial computers as well as newly developed hardware. It will permit the execution of man-in-the-loop simulations for the development and validation of operational concepts.
- The NTB program will provide an evolving end-to-end system emulation for the validation of system integration issues and evaluation of end-to-end system effectiveness and survivability. This capability will evolve over time to be the most accurate representation of a future SDS that can be produced without producing the actual system.
- The NTB program will provide an extensive computing resource for the conduct of special studies as required.
- The NTB will support an informed Full Scale Engineering Development Decision (FSED) for an operational SDS.
- The NTB will, with additional development to be funded by the appropriate programs, be a national capability to simulate defense research other than the SDI.

The goals are consistent with the mission of the National Test Bed Joint Program Office (NTBJPO), as defined by its organizational charter (Ref. 2).

In coordination with the Services and other users, the NTBJPO shall define, design, acquire, integrate, operate, maintain, and improve a SDI comprehensive capability to experiment with and evaluate alternative SDI system and battle management/command, control and communications (BM/C3) architectures and key defensive technologies in support of the SDI technology verification strategy. (Ref. 1).

In addition, the NTBJPO will propose and participate in the design and integration of experiments.

The requirement for SDS elements to undergo NTB system-level testing are broadly stated in the SDI Test and Evaluation Master Plan (TEMP). Specific schedules are being developed to support this requirement. (Ref. 6).

The acquisition strategy for the NTB has been based upon a three phase, competition intensive approach. Phase I, conducted in March-June 1986, involved four prime contractors and their subcontractors. Phase I resulted in defining the concept for the NTB. Phase II, conducted July-December 1986, involved two prime contractors (competitively selected from the original four) and resulted in the preparation of the preliminary design for the NTB. Phase III will be awarded competitively to a single prime contractor in January 1988, and will include the final design, the implementation, and the operation of the NTB as discussed throughout this report.

SECTION III

NTB CAPABILITIES

The Government has written a Technical Requirements Document (TRD) (Ref. 3) and a Statement of Work (SOW) (Ref. 4) which specify required NTB capabilities. The source selection is in progress to select the contractor to provide the NTB simulation, evaluation, and demonstration capability. Contract award is scheduled for January 1988.

The NTB effort parallels and supports the evolution of the SDS architectures. The NTB will be flexible enough to adjust to differing architectures.

NTB capabilities will produce the simulation, demonstration, and evaluation data decision makers will require. The following is a summary of the detailed capabilities which will result from the NTB integration contract:

A. SIMULATION

In order to choose an appropriate and adequate baseline simulation framework, the NTB will host and evaluate several end-to-end simulations. The following are candidate end-to-end SDS simulation models which are currently in development. The Mission Effectiveness Model (MEM), developed by Vanguard Research; Defensive Technology Evaluation Code (DETEC), developed by Los Alamos National Laboratory; and Blue Defender, developed by ANSER Corporation. The Government will review the contractor recommendations for the end-to-end simulation framework, and provide guidance on SDI and NTB mission requirements. Early selection of the baseline simulation framework is important, since developers of other SDS elements must have a specified interface to design against in order to bring their simulations into the NTB for system-level testing. As each developer produces a successful simulation version of

that SDS element, it will reside in the National Test Facility where it will be validated against experimental data, certified for use by other developers, and executed within the context of end-to-end system simulation. Developers will be responsible for evolving their models in the direction of increasing fidelity. Eventually, the NTB end-to-end simulation will consist of high fidelity versions of all elements, and thus will closely emulate the SDS system. Each step of this process reduces the risk in developing and fielding SDS elements. The NTB will also have solved some of the integration issues before they can affect the SDS itself.

The NTB contractor will be required to prototype a distributed simulation framework which includes: time-synchronization for components located at remote locations; provisions for hardware-in-the loop evaluations; man-in-the-loop evaluations; and geographically distributed access for participating facilities.

B. COMMUNICATIONS

The NTB integrating contractor will provide internal and external communications capabilities. Internal communications include both voice and data communications over multiple Local Area Networks (LANs). Performance requirements, protocols, timing, and security requirements are all specified. External communications also include voice and data communications. Dedicated support communications are specified between the NTF at Falcon AFS, CO; the SDIO in Washington, DC; the Army Strategic Defense Command (SDC) in Huntsville, AL; the Air Force Electronic Systems Division (ESD) at Hanscom AFB, MA; the Air Force Space Division (SD) at Los Angeles AFS, CA; the Naval Research Laboratory (NRL) in Washington, DC; the Department of Energy Los Alamos National Laboratory (LANL) in Los Alamos, NM; the Air Force Rome Air Development Center (RADC) at Griffiss AFB, NY; and Air Force Space Technology Center (AFSTC) in Albuquerque, NM. These data links will provide access to the simulation and analysis capabilities of the NTB for the participating organizations listed. As the distributed simulation prototype and interfaces are developed, these nodes will be able to run their simulations in a distributed manner. For example, SDC will run its BM/C3 experimental version at Huntsville while connected to the threat model, sensor model, weapon model, and engagement environment executing at the NTF. Additional nodes will be added as new contractors, developers, ranges, laboratories, and participating agencies become involved. These communications requirements are specified in Reference 3.

C. PROTOTYPES

While the simulation framework is perhaps the most important prototyping effort, the NTB integrating contractor will be responsible for others. For example, the experiment control center in the NTF will consist of workstations, large screen displays, and the capability to interconnect with other nodes of the NTB. Another effort will be the interactive gaming center, also with workstations and displays. This center will include areas for a "Blue" team, a "Red" team, and a "White" team to accommodate gaming "what if" scenarios, and experiments involving man-in-the-loop and human factors. Scenario and simulation object generation capabilities will also be

prototyped to provide highly sophisticated threat and environment models. These and other prototyping efforts are specified in Reference 3.

D. DECISION SUPPORT

An extensive technical information support capability will reside in the NTF for storage and retrieval of documents, software, experiment data, simulation models, and other SDI information. This will provide access for researchers and national decision-makers to documented experiments, simulations, analyses, and other information to enable them to make decisions on further SDI developments, trade-offs, and funding. This requirement is specified in Reference 3.

E. BM/C3 SUPPORT

BM/C3 Experimental Versions (EVs) will be hosted in the NTF. These EVs, under development by ESD at Hanscom AFB and SDC at Huntsville, will be tested with other SDS elements. As they mature, each successive version will form a central core of the NTB system-level architecture. These requirements are specified in Reference 3.

F. NTB INFRASTRUCTURE

The NTF will also host tools for administrative and engineering support for the NTB. Included under these requirements are: project management; resource planning; logistics; security administration; document production; hardware/software engineering; configuration management; engineering analysis; simulation/experiment planning, execution, and analysis; and data reduction. Included among these will be automated tools for such uses as resource planning and NTB configuration management. These requirements are specified in Reference 3.

G. HARDWARE

NTB requirements do not specify brand names of hardware. The requirements include numbers in some cases, such as number of large-screen displays in the experiment control center, but most of the hardware types and quantities will be proposed by the contractor based on known mission requirements, dimensional characteristics, physical characteristics, environmental conditions, security requirements, reliability/maintainability/availability requirements, and minimum performance requirements. Early milestones (six month to two years) specify at least one supercomputer and a robust complement of mainframes, workstations, and peripheral hardware. Hardware will be added as the SDS architecture and the NTB prototypes both mature. These requirements are specified in Reference 3.

H. SOFTWARE

The NTB integrating contractor will host end-to-end simulations in the NTF, as mentioned above, and will be responsible for some software prototyping. Use of Ada will be required for new code. A software engineering environment will be installed which includes software development, maintenance, and integration tools, and performance analysis software. These requirements are specified in Reference 3.

SECTION IV

EVALUATION APPROACH

The SDI will use the simulation, demonstration, and evaluation data produced in the NTB to answer the feasibility, cost-effectiveness, and survivability issues addressed in Section II.

A. TECHNICAL FEASIBILITY AND MILITARY EFFECTIVENESS

The NTB will be the only national resource to combine all the SDS elements into a system-level framework to measure performance through simulation. An individual element such as Battle Management/Command, Control, and Communications (BM/C3) will have to demonstrate time lines to coordinate sensor information with targeting, weapons release, and kill assessment. Actual NTB models of these elements will evaluate these time lines and determine how effectively they perform and where fixes are required.

This system-level capability will continue to evolve for all SDI phases and will contribute to decisions of feasibility and military effectiveness for each technology/element. For example, the simulation might demonstrate that a new weapon technology would significantly increase cost without adding much to performance. That technology could then be reworked or scrubbed in favor of a more cost-saving approach.

As these individual element models are refined, they will be integrated with the SDS architecture to conduct system performance evaluations. Multiple distributed simulations of the SDS will provide such parameters as kill ratios at boost, post-boost, midcourse and terminal phases of the attack; leakage rate of attacking warheads (i.e., how many survived each layer of the defense); and optimum mixes of defending assets. At this level, the NTB will be simulating, evaluating and demonstrating the overall SDS performance and military effectiveness.

These results will provide national decision-makers with information crucial to decisions on full-scale development and deployment of strategic defenses.

B. SURVIVABILITY

The NTB will provide trade-off analyses on survivability and related topics as well (reliability, maintainability, supportability, system availability, and logistics, for example). One example of a survivability analysis is hardness vs number of platforms. Both are measures of survivability, but hardness increases weight and decreases the number of platforms that can be launched. Using NTB models, analysts can simulate numerous combinations of the two factors to determine an optimum mix. Other factors which bear on the survivability of individual elements include: maneuver, velocity, self-defense, concealment, failure nodes, and tactics. Survivability of assets, both offensive and defensive, will be built into the models to determine sufficient deployment options to deter an attack or to withstand a potential attack.

Supportability models will permit trades involving the quantity and nature of on-orbit and

ground operations required to service, maintain and operate a specified architecture.

C. COST EFFECTIVENESS

Cost-effectiveness states that, to be effective, a defensive system would have to provide disincentives or strategic leverage against the Soviet Union responding to defenses by deploying countermeasures and/or proliferating ballistic missiles. The form these disincentives could take are economic, technical, and military.

Defenses with strategic leverage would stress the limits of Soviet technical capability in such a way as to discourage the Soviets from believing that a U.S. defense system could be overcome at any price. To achieve this, prospective defensive technologies must be able to demonstrate the likelihood of being able to counter effectively any technologies, offensive force growth, or changes in strategy that might be employed to reestablish the capabilities of ballistic missile forces.

Finally, the defense also must be able to impose serious opportunity costs on the Soviets, such that any effort to counter the defense through countermeasures and/or proliferation of ballistic missiles would be so costly as to impose severe limits on the resources it could bring to bear on other Soviet priorities, such as alternative offensive forces that are less destabilizing, defensive efforts (both active and passive), conventional forces, and efforts to improve their economy as a whole.

The NTB will provide the capability to do multiple simulation iterations of a wide range of possible offensive and defensive strategies, countermeasures, economic impacts, and varying degrees of technical capability. Policy-makers will then be able to formulate appropriate and informed policy with confidence that the economic, technical, and military elements of cost effectiveness are understood.

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5. Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Anti-Ballistic Missile Systems, signed by the President of the United States and the General Secretary of the Central Committee of the CPSU, 26 May 1972 (Entered into force 3 October 1972).
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ACRONYMNS

ABM	Antiballistic Missile
BM/C3	Battle Management/Command, Control and Communications
DETEC	Defense Technology Evaluation Code
ESD	Electronic Systems Division
FSED	Full Scale Engineering Development
LAN	Local Area Network
MEM	Mission Effectiveness Model
NTB	National Test Bed
NTBJPO	NTB Joint Program Office
NTF	National Test Facility
SDI	Strategic Defense Initiative
SDIO	Strategic Defense Initiative Organization
SDS	Strategic Defense System
SOW	Statement of Work
TEMP	Test and Evaluation Master Plan
TRD	Technical Requirements Document
TW/AA	Tactical Warning and Attack Assessment

CHAPTER I

INTRODUCTION

A. PURPOSE OF REPORT

This is an interim report on the Phase I and follow-on Strategic Defense System (SDS), prepared for the Committees on Appropriations of the United States Senate and House of Representatives pursuant to Section 125 of the fiscal year 1988 Military Construction Appropriations Act, HJ Res 395, P.L. 100-202.

B. STRATEGIC DEFENSE SYSTEM ARCHITECTURE CONCEPT

The Strategic Defense System (SDS) Phase I Architecture concept was presented to the Defense Acquisition Board (DAB) Milestone I Review for transition into the Demonstration/Validation phase of development. This architecture will continue to be evaluated throughout the Dem/Val phase to ensure that it is the optimum architecture for Phase I of the SDS. The architecture for the SDS follow-on phases is addressed in a more general way, since the configuration of the follow-on will continue to evolve and ultimately be determined based on the changing threat and technology development.

The Phase I System, as currently conceived, would contain two tiers of defense. The first, which would be space-based and would engage ballistic missiles during their Boost and Post-Boost phases of flight, and a second which would be primarily ground-based and would engage ballistic missiles in their mid-course phase of flight. The Boost/Post-Boost tier elements would include a Boost Surveillance and Tracking Satellite which would be in near geosynchronous orbit and a constellation of Space Based Interceptors. The mid-course tier elements would include exoatmospheric interceptors launched from the ground, which may be supplemented by space-based interceptors, and target acquisition/tracking capabilities, which may be provided by multiple elements. Candidate target acquisition/tracking elements are the subject of an intensive SDIO study which will be concluded over the Winter of 1987-88.

The defensive tiers would be under positive man-in-the-loop command and control from designated centers in the United States, and all the elements would be linked through a comprehensive communications network. The combination of the Battle Management/Command, Control, and Communications (BM/C3) has been designated as a separate element of the Phase I SDS, for descriptive purposes.

CHAPTER II

STRATEGIC DEFENSE SYSTEM DESCRIPTION

A. OVERVIEW

The goal of United States national security policy is the protection of the people, institutions, and territory of the US and its Allies. Deterrence of the Soviet Union is

currently based on the threat of assured nuclear retaliation in the event of attack. The most significant threat to the safety and security of the US and its Allies is the Soviet ballistic missile force which is increasing in both numbers of warheads and warhead accuracy. This force could be used in a limited strike against specific US and Allied targets or in a massive attack against all elements of our society. The Soviet strategic doctrine is to neutralize US and Allied assured retaliatory capability against such attacks by eliminating the National Command Authorities (NCA); the Command, Control, and Communications (C³) structure; and the US and Allied retaliatory forces.

The Soviet strategic missile force, especially the heavy throwweight, highly accurate SS-18 intercontinental ballistic missile (ICBM), is a direct challenge to our policy of deterrence based on assured retaliation. In peacetime, it is a challenge to our determination to deter aggression across the full spectrum of conflict, not just conflict at the level of homeland exchanges. During each period of heightened tension between the US and the USSR, concerns are raised about stability and the successful management and resolution of crises. In the event deterrence should fail, the Soviet ballistic missile force could compromise our capability to employ our retaliatory forces in a controlled, deliberate, and flexible manner. As a result, the Soviet ballistic missile force threatens our ability to limit crisis escalation and to terminate conflict at the earliest opportunity on terms favorable to the US and its Allies.

At the same time, the Soviet Union has continued to pursue strategic advantage through the development and improvement of active defenses. These active defenses provide the Soviet Union a steadily increasing capability to counter U.S. retaliatory forces and those of our allies, especially if our forces were to be degraded by a Soviet first strike. Even today, Soviet active defenses are extensive. For example, the Soviet Union possesses the world's only currently deployed antiballistic missile system, deployed to protect Moscow. The Soviet Union is currently improving all elements of this system. It also has the world's only deployed antisatellite (ASAT) capability. It has an extensive air defense network, and it is aggressively improving the quality of its radars, interceptor aircraft, and surface-to-air missiles. It also has a very extensive network of ballistic missile early warning radars. All of these elements provide the Soviets an area of relative advantage in strategic defense today and, with logical evolutionary improvements, could provide the foundation of decisive advantage in the future. The trends in the development of Soviet strategic offensive and defensive forces, as well as the growing pattern of Soviet deception and of noncompliance with existing agreements, if permitted to continue unchecked over the long term, would undermine the essential military balance and the mutuality of vulnerability on which deterrence theory has rested.

In response to the increasing threat posed by Soviet offensive and defensive force developments, President Reagan chartered the Strategic Defense Initiative in 1983. By the President's directive, the purpose of the initiative is to determine the feasibility of eliminating the threat posed by strategic nuclear missiles to the US and its allies. A defensive system capable of defeating ballistic missile attacks would serve three objectives. It would advance our national security goal of protecting our populations from attack by such weapons. It would counter the trends which threaten the erosion of our deterrent.

And it would lay the foundation for a policy of deterrence that would no longer "rely solely on offensive retaliation" (President Reagan, 23 March 1983) as the basis for our security and safety and that of our Allies.

B. PHASED DEPLOYMENT

The phased deployment of the Strategic Defense System (SDS) has been conceived as the most reasonable means to achieve the levels of defense contemplated by the President's 1983 direction. Each phase of the SDS would contribute significantly to deterring a Soviet nuclear attack on the US and its Allies. Each defensive tier of the SDS (boost, post-boost, midcourse, and terminal) would have sensors, weapons, and battle management structured to engage an offensive ballistic missile in one or more phases of its trajectory.

The phased deployment approach considers four key factors: *time*, *technology*, *defensive missions*, and *responsive threats*. It recognizes that some efforts and technologies will mature faster than others. The approach accepts the fact that the deployment of a defense, regardless of the first deployment date of its elements, must take place over time. It posits that as the defense elements are deployed, they could effectively defend against the threat that is anticipated for their employment period. As other technologies mature through a vigorous research program and are deployed, they would improve the capability of the initial system and provide additional capability to perform new and more demanding missions. Finally, the continuously expanding technical capability of the defense would block Soviet countermeasures and responsive threats and in conjunction with the ability to perform increasingly difficult defense missions, provide significant arms control leverage.

The basic purpose of the defense, beginning with the first deployment, would be to reduce Soviet confidence in the military utility of its ballistic missile force. The deployment process itself would demonstrate our intention to expand an initial defense steadily, in a flexible and responsive manner. The phasing of the deployments would provide the defense with opportunities to exploit existing weaknesses, while simultaneously imposing new technical and operational constraints on Soviet ballistic missile forces. Phasing deployments thus would provide defensive capability against the existing threat, and leave the Soviet offensive planner uncertain of how to recover former effectiveness or how to prevent further degeneration of the utility of ballistic missiles.

The extent to which we would have to follow such a phased deployment approach would depend in large part on the Soviet response. SDI is not a bargaining chip, but the mere development of the option for phased deployment of strategic defense can help motivate Soviet acceptance of US arms reduction proposals. With such acceptance, phased deployment plans could be modified accordingly. If they respond favorably, a deployed system could function as an insurance system and would require more limited quantitative upgrading over time. If they do not respond favorably, full deployments could be initiated.

C. PHASE I

Each SDS deployment phase would have three objectives. The first would be to perform the required defensive mission. The second would be to compel favorable changes—operational or technical—in the Soviet ballistic missile force. The third would be to lay the foundation for the improved, follow-on deployment phases.

The military objective of Phase I would be to enhance the US deterrence posture by being able to deny the Soviets their objectives in an initial ballistic missile attack. Achieving the Phase I SDS objective would enhance deterrence in two ways. One, *it would decrease the Soviet confidence that the objectives of its initial attack would be met.* Two, *it would increase the likelihood that the US and its allies would be able to respond to aggression effectively.*

The deployment of the Phase I SDS would compel Soviet operational adjustments and compromises by reducing the confidence of Soviet planners in a favorable outcome of a Soviet ballistic missile attack. The defense would leave Soviet planners uncertain of the number of warheads to apply to a single target, or to a target set, to achieve a specified level of damage. It would force them to reallocate weapons from one target set to another in an effort to restore confidence. It would impose the necessity to adjust their preferred launch sequence to compensate for the defense and potentially to compel an off-load of weapon capability, to allow volume and weight on post-boost vehicles (PBVs) for countermeasures.

Initial defenses would be able to maintain their capability more easily than those countermeasures could be taken to defeat them, and thus would contribute significantly to deterrence. Follow-on defensive deployments would provide for robust defenses that were fully effective over the long term, even in the face of Soviet countermeasures.

The initial defense must be able to operate in the boost and post-boost stages of the ballistic missile trajectory, constraining the use (for deployment of warheads and countermeasures) of this initial phase of the battle space and breaking up the structure of the Soviet attack. This requires a capability to detect launches, track boosters and PBVs, select for attack the highest priority boosters and PBVs, and intercept the targets in a systematic manner. The defense also must engage single RVs in the midcourse portion of the flight trajectory. This requires the capability to acquire, track, identify, and discriminate RVs and predict aimpoints so that intercepts can be made in accordance with preferential and adaptive defense strategies.

The SDS elements proposed for Phase I would be deployed in two tiers, boost/post-boost and late midcourse. The Phase I architecture includes: sensors in high earth orbit to detect the launch and track offensive missiles, space-based interceptors effective in boost and post-boost, midcourse sensors to track and discriminate reentry vehicles (RVs), and ground-launched late midcourse interceptors. As a support adjunct, a new heavy-lift, low-cost space launch element would be required in the first phase of SDS to deploy space-based assets.

With the combination of boost/post-boost interceptors breaking up the structure of an attack and midcourse interceptors enforcing preferential and adaptive defense, Phase I would provide US military planners a range of options for preserving mission effectiveness and expanding the level of protection afforded the nation. Phase I creates opportunities for pursuing the most cost- and mission-effective path to achieve the ultimate objective of the defense. The number and capability of elements in existing tiers of the defense system could be increased and enhanced, and more advanced technologies could be deployed in new elements. Depending on the state of a follow-on element's demonstration and validation, it may be appropriate to accelerate its development and deployment to block a Soviet response to the SDS deployment (e.g., using early or prototype directed energy elements for interactive discrimination).

The defense system envisioned for Phase I would satisfy the objective of setting the stage for the follow-on deployment. It would provide an initial capability for protection against ICBM attacks and substantial enhancement of deterrence, and a foundation on which the next phases could build and efficiently expand. It would establish US defensive capability in the most critical portions of the ballistic trajectory in the first deployment. It would also put in place and organize the military infrastructure and provide valuable training and operational experience.

D. DESCRIPTION OF SELECTED ARCHITECTURE FOR PHASE I

The six elements described in this section are expected to form the Phase I SDS. Follow-on elements will continue to be developed to keep open all options and new, innovative concepts will continue to be explored.

1. BATTLE MANAGEMENT/COMMAND, CONTROL, AND COMMUNICATIONS (BM/C³)

The BM/C³ element would be the mechanism for employing all SDS assets (weapons, sensors, etc.). The element would support the coordinated operation of strategic defense with other strategic and tactical military forces and national diplomatic and intelligence operations. It would provide for continuous positive, responsive control of the SDS through the Strategic Defense System Commander-in-Chief (CINC-SD) at the SDS Command Center (SDS-CC). Battle management would provide the automated support to implement commanded system employment actions. The mechanism for this implementation would be a distributed information processing network of battle managers at every SDS host asset. These battle managers would process data and instructions to implement the commanded battle management functions. The BM/C³ element would support the required interaction between offense and defense and support preferential utilization of defensive interceptors. This would allow the exchange of vital intelligence information between SDS and the strategic offensive forces during any situation to mutually enhance their performance. Figure A-3 of Annex A depicts the key requirements and functions of the Phase I BM/C³ element.

2. BOOST SURVEILLANCE AND TRACKING SYSTEM (BSTS)

The BSTS element will be a missile launch warning satellite in geosynchronous or higher orbit. In follow-on phases, enhancements would provide for improved sensor resolution and sensitivity to detect fainter boosters and PBVs. The boost and post-boost segments of the system must detect and track the missiles, perform a threat evaluation, assign and launch weapons, and control the intercept. Figure A-4 of Annex A depicts the key requirements and functions of the Phase I BSTS element.

3. SPACED BASED INTERCEPTOR (SBI)

The SBI element would be a low earth orbit, hit-to-kill system having on-board sensors and multiple interceptors on each carrier vehicle (CV). Follow-on CVs might not continue to have onboard sensors but could rely on sensor platforms, e.g., space surveillance and tracking system (SSTS) in a higher orbit. The Phase I SBI could provide a significant capability against SLBMs as well as ICBMs. With the interaction of the SBI orbits and the rotation of the earth, the SBI-CVs would be able to engage follow-on waves of ICBM or SLBM launches. The constellation of SBI-CVs needed to assure first phase mission capability would provide global coverage of all potential launch sites. Figure A-5 of Annex A depicts the key requirements and functions of the Phase I SBI element.

4. MIDCOURSE SENSOR ELEMENT(S)

Midcourse sensor element(s) functions would be to acquire and track PBVs, RVs, decoys, and ASATs and to predict RV state vectors and aimpoints. Three midcourse sensor concepts are being considered for Phase I: SSTS, a ground-launched GSTS, and sensors on the SBI-CV. Figure A-6 of Annex A depicts the key requirements and functions of the Phase I Midcourse Surveillance element.

Space Surveillance Tracking System (SSTS) - A satellite-borne electro-optic tracking and surveillance system in medium earth orbit. The satellites would track targets from medium earth orbits against a cold space background and near the earth limb. Individual object's state vectors would be generated from correlated information from two or more sensors.

Ground Surveillance Tracking System (GSTS) - This ground-launched suborbital rocket surveillance system would use sensors to perform tracking and discrimination of midcourse objects. Signal processing would be performed onboard and transmitted to the ground where correlation and target-weapon assignments would be made. The element would provide the capability to examine high-threat corridors in detail and to be placed in areas where very high resolution may be warranted.

SBI-CV - Sensors placed on the SBI carrier vehicle would allow viewing of threat tubes. This option would give the carrier vehicles greater mass and complexity.

5. EXOATMOSPHERIC REENTRY VEHICLE INTERCEPTOR SYTEM (ERIS)

A ground-based, multistage missile that would use hit-to-kill to destroy incoming warheads in late midcourse. The interceptor would be launched to a target "basket" based on acquisition and discrimination data provided by midcourse sensors. Figure A-7 of Annex A depicts the key requirements and functions of the Phase I ERIS element.

6. ADVANCED LAUNCH SYSTEM (ALS)

While current launch systems can begin SDS Phase I deployment, an ALS will be required for a cost-efficient, timely and complete SDS Phase I deployment. SDS would require lifting several million kilograms of payload to space, necessitating a flexible, relatively low cost launch system. The ALS will be a national system meeting both civil and security space launch requirements.

E. FOLLOW-ON PHASES

Specific architecture work for follow-on phases will evolve as research into SDI technology programs continues. The follow-on phases of deployment would augment the late-midcourse and boost tier with space surveillance sensors and upgraded BM/C³. Improved surveillance sensors of these systems, would provide coverage of the missiles' entire flight. These sensors would provide an interim interactive discrimination capability against RVs and decoys. Increasing numbers of Space Based Kinetic Kill Vehicles (SBKKVs) would provide the space-based tiers with additional self-defense capabilities against Soviet anti-satellites (ASATs). Later phases of deployment would endow the architecture with full strategic defensive capabilities against ballistic missiles throughout their flight trajectory. As with the previous systems, these elements would utilize highly advanced technologies developed in parallel with deployment of earlier systems. Suitable systems for this phase are advanced versions of the boost-phase sensor, improved SBKKV, advanced Space Surveillance Systems, Airborne Optical Sensors, High Endoatmospheric Defense Interceptors, BM/C³, and directed energy weapons for interactive discrimination of decoys and the destruction of ballistic missiles in flight. Potential candidates for follow-on SDS deployment are briefly described in the following paragraphs.

AIRBORNE OPTICAL SENSOR. The Airborne Optical Sensor (AOS) element would be deployed in follow-on phases of the SDS to provide surveillance, acquisition, track and kill assessment (SATKA) for the interception of RVs. This element would include airborne sensor platforms with bases and command components on the ground. It would perform precommit functions for both late midcourse and terminal ground-based interceptor elements. The preferred concept for AOS would involve the development of a common platform/sensor suite to support both midcourse and high-endoatmospheric (terminal) interceptors.

GROUND BASED RADAR. The Ground-Based Radar (GBR) would provide

search, track, and discrimination capabilities to meet the requirements of high endo-atmospheric and low exoatmospheric regional defense for the follow-on SDS.

HYPERVELOCITY GUN. A Hypervelocity Gun (HVG) is a device that can accelerate projectiles by converting electric energy or thermal energy into kinetic energy. In a simple electromagnetic gun, an electric current flowing between two rails creates a magnetic field which exerts a force on a projectile to propel it down the gun bore. In the more complex Reconnection Electromagnetic Gun, multiple coils physically displaced along the gun bore apply progressive electromagnetic pulses to propel a projectile.

HIGH ENDOATMOSPHERIC DEFENSE INTERCEPTOR. The High Endoatmospheric Defense Interceptor (HEDI) is a ground-based interceptor capable of intercepting ballistic missiles within the atmosphere. This capability would provide an effective underlay to the boost and midcourse SDS elements. The greater density of air within the atmosphere would improve discrimination performance and enhance identification of threatening objects missed in the upper tiers by other SDS elements. HEDI would provide the atmospheric interceptor capability necessary to engage and destroy these RVs.

GROUND-BASED LASER. The Ground-Based Laser (GBL) element of the SDS would employ ground stations which generate intense beams of visible or near-visible radiation for transmission through the atmosphere to be relayed and focused by orbiting mirrors to an array of targets. The GBL conceptual designs are conceived as frontline weapons capable of evolutionary growth from early adjuncts to the Space-Based Interceptor (SBI) to one capable of stand-alone boost-phase intercept. Such a weapon could provide interactive discrimination in midcourse by destroying simple decoys (e.g., balloons), thermally tagging heavier objects, and imparting a velocity change to heavy decoys. The GBL's greatest potential as an antiballistic missile (ABM) system element is in a synergistic mix of SBI and GBL.

SPACE-BASED RADAR. As SDS was deployed and its mission objectives expanded, it can be anticipated that the ICBM threat would evolve to the point where passive Surveillance, Acquisition, Tracking, and Kill Assessment (SATKA) sensors alone would not be capable of supporting the SDS tracking and discrimination requirements. For that reason, it is currently planned to develop space-based active sensors for deployment as an SDS follow-on deployment element. As "bus watchers," these sensors would implement active discrimination techniques capable of discriminating RVs from advanced decoys as they are released from the PBV. These sensors also might be used for midcourse discrimination as the sensor component of interactive discrimination systems deployed as SDS follow-on elements.

SPACED-BASED LASER. The Space-Based Laser (SBL) element would employ orbiting high power lasers which are conceived as front line weapons capable of evolutionary growth from early adjuncts to the SBI to weapons capable of stand-alone boost-phase intercept. Such a weapon could also supply interactive discrimination in midcourse by destroying simple decoys (e.g., balloons), thermally tagging heavier objects,

and imparting a velocity change to heavy decoys. The SBL's greatest potential as an antiballistic missile (ABM) system is in a synergistic mix of SBI and SBL.

NEUTRAL PARTICLE BEAM. The Neutral Particle Beam (NPB) element would employ orbiting particle accelerator platforms which could direct beams of atomic particles at targets in space. The NPB could function as a weapon to disrupt or destroy targets or it could be used, with a network of orbiting sensors, to interact with targets to discriminate warheads from decoys.

SPACE ASSETS SUPPORT SYSTEM. The Space Assets Support System (SASS) would be an on-orbit element of unmanned support platforms planned to provide cost-effective maintenance, servicing, and preplanned product improvement (P³I) for the space assets of the SDS. The SASS would include Space-Based Support Platforms (SBSP), Telerobotic Services, Orbital Maneuvering Vehicles (OMV) and Fluid Transfer Sub-systems. The use of an Orbital Transfer Vehicle (OTV) also may be required. This space-based support concept is expected to provide significant life-cycle cost (LCC) savings and mission effectiveness improvement for the large constellations of satellites typical of the SDS.

CHAPTER III

STRATEGIC DEFENSE SYSTEM PHASE I

The goals of defense deployments are: (1) deny the Soviets confidence in the military effectiveness and political utility of a ballistic missile attack; (2) secure significant military capability for the US and its allies to deter aggression and support their mutual strategy in the event deterrence should fail; and (3) secure a defense-dominated strategic environment in which the US and its allies can deny to any aggressor the military utility of a ballistic missile attack.

It has become clear that these goals can best be reached through the phased deployment of defenses, and that incremental deployment of defenses is the only likely means of deployment. Each phase of deployment would be sized and given sufficient capability to achieve specific military and policy objectives and lay the groundwork for the deployment of subsequent phases.

The first phase would serve an intermediate military purpose by denying the predictability of a Soviet attack outcome and by imposing on the Soviets significant costs to restore their attack confidence. This first phase could severely restrict Soviet attack timing by denying them cross-targeting flexibility, imposing launch window constraints, and confounding weapon-to-targeting assignments, particularly of their hard-target kill capable weapons. Such results could substantially enhance the deterrence of Soviet aggression.

The first deployment phase would use kinetic energy weapon and sensor system

technologies to concentrate on the boost, post-boost, and late midcourse intercept layers. The boost and post-boost layers would consist of space-based kinetic-kill interceptors combined with surveillance and targeting satellite sensors in geosynchronous orbit. The late midcourse phase intercept layer would consist of ground-launched interceptors combined with ground-launched surveillance probes and could be used to destroy nuclear weapons that are not destroyed in the boost or post-boost layer defense.

A. STRATEGIC DEFENSE MISSION

The Phase I SDS would contribute to the performance of missions traditionally assigned to US and Allied strategic forces. The mission areas to which it would contribute include *denial of Soviet war aims, damage limitation, space control, and tactical warning and attack assessment (TW/AA)*.

The first phase SDS would assist other US and allied strategic forces in this mission through the capability of the boost-phase and midcourse interceptors to destroy the ballistic missiles and RVs. The Phase I space-based interceptor would have the capability to destroy a significant number of SLBM as well as ICBM boosters and post-boost vehicles.

Midcourse interceptors (ground- or space-based) would enhance the effectiveness of the defense in either the counterforce or the damage-limitation mission area. Both types would be capable of flexible and adaptive defense. The extent of that enhancement would be primarily a function of the number of interceptors available for the engagement. Thus, for a given inventory of midcourse interceptors, the specific contribution made by the midcourse interceptors to one mission area or the other would be subject to determination by the military and political authorities.

Space control operations are conducted to achieve and maintain freedom of action in space. The SDS would contribute to space control during peace, crisis, and conflict to assure the US and its Allies access to space and safeguard their rights, legal and customary, to conduct activities in space during peacetime.

The purpose of TW/AA is to provide timely, reliable, and unambiguous warning of strategic attack on the US, its Allies, and interests worldwide. A variety of sensors and systems are employed to ensure adequate warning is provided by the Joint Chiefs of Staff to the NCA and subordinate commanders for strategic decisionmaking, force survival, and force management actions. Phase I would contribute to this mission through the operation of its surveillance & tracking sensor platforms.

B. SYSTEM CHARACTERISTICS

OPERATIONAL. The Phase I SDS would consist of weapons, sensors, and BM/C³ elements balanced to satisfy the ballistic missile defense operational requirements. The Phase I SDS would provide for continuous and responsive control of the SDS through the SDS Command Center (SDS-CC). The incremental deployment of follow-on elements is planned so that the SDS would continue to satisfy operational requirements while

providing increased overall strategic defense capability against the evolving threat. Figure A-1 of Annex A depicts the SDS Phase I core concept.

The SDS design incorporates the SDS-CC as part of the National Military Command System (NMCS) and the World Wide Military Command and Control System (WWMCCS). This structure provides for direct accountability of the SDS to the National Command Authorities (NCA) and for integrated operations with strategic offensive forces, and warning and intelligence organizations. The Strategic Defense System Commander-in-Chief (CINC-SD) would support the selection of the strategic offensive forces response option so that the SDS mode could be selected to support responsive offensive actions. Through the SDS-CC, the CINC-SD would command globally-distributed SDS elements using survivable communications networks.

Required system operational availability would be achieved through a systems engineering approach that would stress redundancy, component reliability, on-orbit spares, on-orbit robotic maintenance, replacement, and graceful degradation techniques for both hardware and software.

SURVIVABILITY. The survivability of the SDS is measured by the ability of the system as a whole to perform its mission in the face of direct attempts to degrade, disrupt, or destroy the various elements.

C. CONCEPT OF OPERATION

PEACETIME AND ALERT OPERATIONS. Peacetime operations would focus on system management actions necessary to establish and maintain a responsive SDS readiness state. A SDS Operations Center (SDS-OC) might be collocated with the SDS-CC to perform day-to-day actions needed to deploy and maintain the performance of all SDS elements. The SDS-OC would use the Consolidated Space Operations Center (CSOC) to manage the space-based SDS elements, and would direct multiple Regional Operations Centers (ROCs) that would be responsible for terrestrial SDS element support. The ROCs would also be designated as alternate SDS-CC, using predefined procedures for assuming the role of the SDS-CC under attrition conditions. The SDS-CC, SDS-OC, and ROCs would be integrated into the WWMCCS to ensure coordinated operations with the NCA and JCS.

Deterrence against a ballistic missile attack on the US and/or its allies would be significantly enhanced by an operational SDS. Should there be indications of a Soviet attempt to test US resolve to committing the SDS to defensive battle, the US could implement any one of numerous available SDS-related options to signal its resolve and thereby reinforce the deterrence value of the SDS. For example, when the system's operational state is upgraded, additional space-based sensors could be activated, Space-Based Interceptors (SBIs) could be activated and/or repositioned, prepositioned ground- or sea-based sensors could be launched into position, ERIS could be activated, etc. One or more of these options could be overtly implemented, concurrent with appropriate warning communicated to the Soviets.

WARTIME OPERATIONS

Boost and Post-Boost Trajectory Phases. The sensor element of the boost/post-boost tier would be the Boost Surveillance Tracking System (BSTS), which will consist of multiple satellites in near-geosynchronous orbit. These satellites would provide Tactical Warning and Attack Assessment (TW/AA) for the offensive and defensive strategic forces. The BSTS will be used to acquire and track each individual ballistic missile as soon as possible after launch. The BSTS would provide launch and related mission information to the SDS Command Center (SDS-CC) for threat evaluation and determination. During this threat analysis, the constellation would continue to collect and update sensor data to ascertain missile type, number, launch points, and other relevant data. These data would be passed to the SDS-CC as soon as they became available to further aid in threat determination.

The BSTS would provide track and booster type information to battle managers on the SBI carrier vehicles as well as to other SDS elements. Based on the nature of the attack and the operational mode selected, the battle managers would select targets for engagement. Target data would be used by the SBI-CV battle managers to point sensors on the CVs and acquire the boosters. Combining several scans of data from two BSTS satellites would result in a booster track with three-coordinate accuracy.

As soon as the CV acquired a booster track, it would begin development of range track. Passive track by the CV plus continuing tracks from the BSTS, would support the tracking of multiple targets and would provide backup for reacquisition in case of track drop caused by interference or confusion of any kind.

Midcourse Trajectory Phase. The midcourse battle environment would consist of penetration aids (penaids), decoys, RVs, interceptors, launch debris, and debris from successful intercepts. The SDS must be able to detect and track midcourse objects in this environment, and also in a potentially nuclear-perturbed environment.

If the booster or the PBV was not destroyed before deployment of the RVs, a midcourse intercept must be performed. Both the SBI-CVs that are in position and the Exoatmospheric Reentry Interceptor System (ERIS) could be used.

Terminal Trajectory Phase. There is currently no terminal defense element planned in the Phase I SDS; it would be added in follow-on phases. An option will be maintained to accelerate the development of a terminal element if Soviet responses to Phase I SDS development or deployment so warrant. The High Endoatmospheric Defense Interceptor (HEDI) could be employed in limited numbers with midcourse sensors and/or ground-based radars to provide assured survival of designated critical assets, and to complicate Soviet countermeasure efforts.

Post-Attack Reconstitution. When hostile missile launches were no longer detected and after termination of all enemy missile trajectories, the SDS and other national systems would enter the post-attack period. A surviving SDS-CC would perform damage assessment, reconfigure readily available elements, and inform the NCA of the residual

SDS capability. Terrestrial SDS element communications would be reconstituted to augment space-based global connectivity. In addition, those communications would support the reestablishment of "ready" conditions for those elements that could be fixed by switching to redundant subsystems or through reprogramming.

CHAPTER IV

SDS FOLLOW-ON PHASES CONCEPT OF OPERATION

The fully capable SDS would be an integrated system of BM/C³, sensor, and weapon elements which is designed to be survivable, effective, cost effective and responsive to command and control authorities during peace and crisis, and throughout the spectrum of conflict.

The SDS sensors, weapons, and battle management deployed in the follow-on phases would greatly enhance deterrence in peacetime by providing real-time, global coverage with diverse sensors in multiple orbits. Orbit and altitude selection, hardening, proliferation, and redundancy would provide the system passive protection and give commanders a range of options through peace, alert, crisis, and conflict. In peacetime, the day-to-day posture of this enduring, responsive force would provide enhanced TW/AA of ballistic missile attack. Orbit selection would ensure that global and space surveillance was continuously provided and that BM/C³ and weapon elements were not all within reach of enemy systems. Active SDS elements would provide multiple tiers of capability for an integrated and synergistic self-defense. Peacetime posture would ensure against surprise attack, provide a continuous observation to provide intelligence of the adversary's test and development, and offer exercise, training, and development capabilities against real missile tests, space launches, and satellite deployments. A combination of maneuverability, hardness, proliferation, active decoys, and orbit selection would provide commanders with a survivable force that could defend passively in the face of ambiguous threats. The SDS would be immediately responsive to national command and control, providing a deterrence-enhancing presence that would not be directly threatening to any adversary but which could be rapidly raised to higher alert postures during periods of tension, crisis, and conflict. Furthermore, by its persistence, SDS would offer terrestrial systems a level of protection in standing down (recovering) from alerts, a posture which would add an element of stability to crisis resolution.

During crises, appropriate action might dictate an increased show of force. Orbital changes could be made to increase the forces available to meet the heightened threat. BSTS and midcourse sensors would continue to monitor for potentially hostile launches, and additional sensors could be added for increased redundancy and survivability. Advanced midcourse weapons and sensors that were difficult to suppress would add to a defense with high alert rates and firepower that would enhance deterrence. The wide range of passive measures available in peacetime and times of crisis would provide commanders the capability to select levels of responses to control the crisis. Ambiguous acts could be

avoided, feints tested, and overt uses of force resisted; inherent self-defense capability would give the commander the option to react deliberately.

At the point of conflict, the SDS sensors would maintain continuous surveillance of all threat areas and generate tactical warning and verification of any hostile missile launch. These sensors would provide multi-band coordinated detection information to the NCA for threat assessment and appropriate response and to the SDS-CC for target assignment and weapons preparation. CINC-SD could employ appropriate rules of engagement to posture the SDS to meet the threat and seek employment authority. The firepower, responsiveness, and surveillance capabilities of the integrated system could be brought readily to bear prior to an obvious attack. In the boost and post-boost engagements, BSTS would broadcast the data to the SDS weapon systems. Release authority would direct the SDS weapons against the boosters and PBVs. The SDS sensors would continuously survey the battle providing data for assessment, discrimination, and engagement by additional interceptors.

In the midcourse phase, sensors would track and discriminate RVs, decoys, and debris. The sensors would hand over accurate boost and post-boost data to the SDS midcourse weapons. The large number of space-based sensor platforms would enable them to operate in a nuclear-enhanced environment. Figure A-2 in Annex A depicts the follow-on SDS architecture element candidates.

CHAPTER V

ACQUISITION STRATEGY

A. ACQUISITION APPROACH

The SDS acquisition strategy outlines the approach for acquiring the SDS under the direction of the SDI Acquisition Executive (SDIAE) using the existing management and technical expertise of the Services, other agencies, and SDIO. The SDS acquisition strategy is the basis for developing detailed element acquisition plans for applying resources and expending effort to execute the SDS acquisition. The SDIAE will develop plans, establish policies, program goals, objectives, and priorities, and evaluate DoD component activities under his direction. The SDIAE will serve as the Service Acquisition Executive for all SDS elements. The SDIAE will provide information on system architecture and the characteristics of its elements to support deployment decisions. The appropriate Services and agencies may be designated by the SDIAE as executive agents for development and acquisition of system elements. The SDIAE will exercise close management and retain responsibility to ensure mission effectiveness and cost-effectiveness. Functional allocation, interoperability, and integration among system elements will be ensured through overall control by the SDIO. Figure A-9 of Annex A shows the SDS acquisition process.

B. SDS ACQUISITION STRATEGY ELEMENTS

The SDS would be developed and deployed in incremental phases specifically designed to outpace any evolving threat. Each phase of the SDS would achieve a level of measurable military performance to meet the SDS mission defined by the JCS. A continuing research program will be pursued to support the evolutionary upgrades to the SDS capability. The SDS acquisition process provides the management of many diverse elements into a single, unified system that accomplishes national objectives. The SDS integration requires central control to conduct efficient element trade-offs and to make difficult decisions that cut across Service responsibility. The SDIO will define and control element, segment, and tier interfaces.

Competition and cost management are integral elements of the SDS acquisition strategy. Both will be employed to the maximum extent possible at every level in the acquisition process including: (1) choosing concepts for SDS elements to meet mission requirements; (2) choosing components and technologies that make up the elements; and (3) choosing among elements for numbers and deployment phases. Research is now being conducted to advance the state of knowledge for estimating the costs of meeting SDS performance goals, which cannot be done using just historical data bases and existing cost models. Life-cycle cost will be taken into account throughout the SDS acquisition cycle. Acquisition of the SDS will involve tailoring and streamlining the use of military standards and specifications to the maximum extent possible.

Management of cost and technical risk will be addressed through a combination of techniques: standing adversary panels (red teams), design competitions, parallel development contracts, and integrated testing. These methods will be used to develop confidence in technical, schedule, cost, manufacturing, and support concepts. Extensive use will be made of the National Test Bed (NTB) where extensive simulations will be employed to reduce costs and to replace experiments which technically lend themselves to simulation. Several alternative technological approaches will be pursued wherever practical. A vigorous, proactive design-produce-support-to-cost program will be conducted to manage the risks inherent in such a technologically advanced program. Producibility risks will be addressed by a comprehensive manufacturing investment program. Unlike traditional aerospace systems that rely on a high degree of hand assembly by skilled personnel, many SDS elements will be required in quantities that offer significant opportunities for savings through standardization, modularity, and automation. Contracting will encourage efficient and innovative manufacturing, multiyear procurements, and dual sourcing. System supportability will be a key SDS design parameter. The processes and technologies required to assure supportability will be a priority for the program. In addition the SDS will comply with security, environmental, and safety requirements.

CHAPTER VI

ISSUES

A. INTERACTION WITH INTERIM OPERATIONAL COMMAND

The development of an operationally acceptable SDS with appropriate human interface to its many automatic capabilities means that a close working relationship will be required between the potential operators and the next phase of the research program. A deployed SDS probably would have operational elements in all Services. The US Space Command is designated to perform planning for a ballistic missile defense capability, and is therefore the interim surrogate for the users which will ultimately be involved. Full interaction with the US Space Command is a necessary step toward ensuring an effective ability to fully consider SDS operational planning requirements.

B. SURVIVABILITY

The survivability of the Phase I system is being evaluated against potential responsive Soviet defense suppression efforts. These efforts consist of validated projection of Soviet capabilities and a number of possible threat excursions not explicitly in the validated threat. A broad survivability technology base and a number of passive and active protection concepts have been developed and evaluated. An optimum mix of active and passive measures would be utilized to counter evolving defense suppression threats. Trade-offs among factors such as increased weight, cost, and numbers have been made with the goal of maintaining mission effectiveness.

C. DISCRIMINATION

Developing a capability for midcourse discrimination is recognized as essential to meeting the SDS mission. Soviet responses to the SDS deployment may include the following categories of penetration aids (penaids): simulation, antisimulation, masking, stealth, and excess traffic. Discriminating these penaids from actual RVs against a possible nuclear weapon effects background requires effective performance of sensors with signal and data processing. Discrimination for the Phase I elements is expected to address antisimulation and light decoys. The follow-on phases may see more sophisticated penaids and require active and interactive discrimination. Discrimination capabilities will continue to be improved during Dem/Val with close attention paid to intelligence estimates of the evolving threat.

D. AFFORDABILITY

Investments made during the next five years of the program in areas of advanced materials development, manufacturing technology, producibility, and risk reduction will yield payoffs in terms of lower costs, improved cost control, and lower technical risks for SDS and other DoD programs. Without this infusion of funds, the first phase of the SDS becomes a higher risk undertaking and future phases may be extended as a result of proceeding with research at a slower than required pace.

E. LETHALITY

The effectiveness of the SDS will depend, in part, on the RV kill methods employed. The requirement to predict the lethality of elements under a range of critical environments and operational parameters is recognized as essential. The lethality program underway includes the development of theoretical models to predict kill and validation of those models by either subscale or full-scale integrated tests. During Dem/Val, an independent agency will be used to plan, conduct, and analyze the lethality tests and to validate predictions of interceptor effectiveness. This reduces lethality uncertainties and assists in objective evaluation of system effectiveness.

F. READINESS

The SDS will be designed to be responsive, supportable, and survivable. These characteristics will be integrated into all hardware and software designs from the outset. Due to limited opportunity for servicing and maintenance, the requirement for availability, maintainability, and supportability would be met using very high reliability components, particularly in Phase I space-based systems. Follow-on phases would include unmanned support platforms to provide cost-effective on-orbit maintenance. Support of ground-based assets would involve the traditional approach of two or three levels of maintenance with a mix of organic and contractor support. Key elements of SDS readiness include extensive use of built-in test and integrated diagnostics, modular components, standardization at the element and component levels, standardized servicing interfaces, and strict configuration control. Preplanned product improvements (P³I) would augment deployed elements through their extended life.

G. SECURITY

Security will be a principal design driver of the SDS. Security of communications and data transfers during operational tests and system operation is vital to its effectiveness. Included in system design will be the provisions of COMSEC, COMPUSEC, TRANSEC, OPSEC, and the assurance and verification requirements necessary to protect the integrity and availability of the SDS. A comprehensive effort will ensure security through all phases of development, deployment, and operation.

H. ADVANCED LAUNCH SYSTEM

While expanded numbers of current launch vehicles and facilities could satisfy the initial Phase I deployment, it would not be cost-efficient nor would it meet the full Phase I requirement or any follow-on requirements. The SDS would require far greater launch capacity than the US has available. Primary concerns center on meeting high launch rates, designing a robust and flexible vehicle, cost reduction, and environmental and siting problems associated with ALS use. While challenging, these issues appear resolvable.

I. INDUSTRIAL BASE

Elements of the SDS will include critical components and production methods that

are dependent on new designs and materials. As a result, these elements face major producibility, production capacity, schedule, and cost risks. In response, SDIO has directed an SDI Productivity Initiative using a network of Manufacturing Operations, Development, and Integration Laboratories (MODILs) as a means to optimize design, cost, and performance. Existing, modified, and new MODILs will be established that should enhance the transfer of new technologies and trained personnel to the industrial infrastructure.

J. EFFECTIVENESS IN NATURAL AND NUCLEAR-PERTURBED ENVIRONMENTS

It is recognized as essential that SDS elements must be able to operate reliably/effectively in the presence of the natural space and atmospheric environment and in the presence of the perturbed far-field environment associated with validated and excursion nuclear threats. Experiments and simulations have been undertaken and will continue to assist in design of SDS elements which can perform their functions in the presence of credible natural and perturbed environments.

CHAPTER VII

SDS ARCHITECTURE DEVELOPMENT

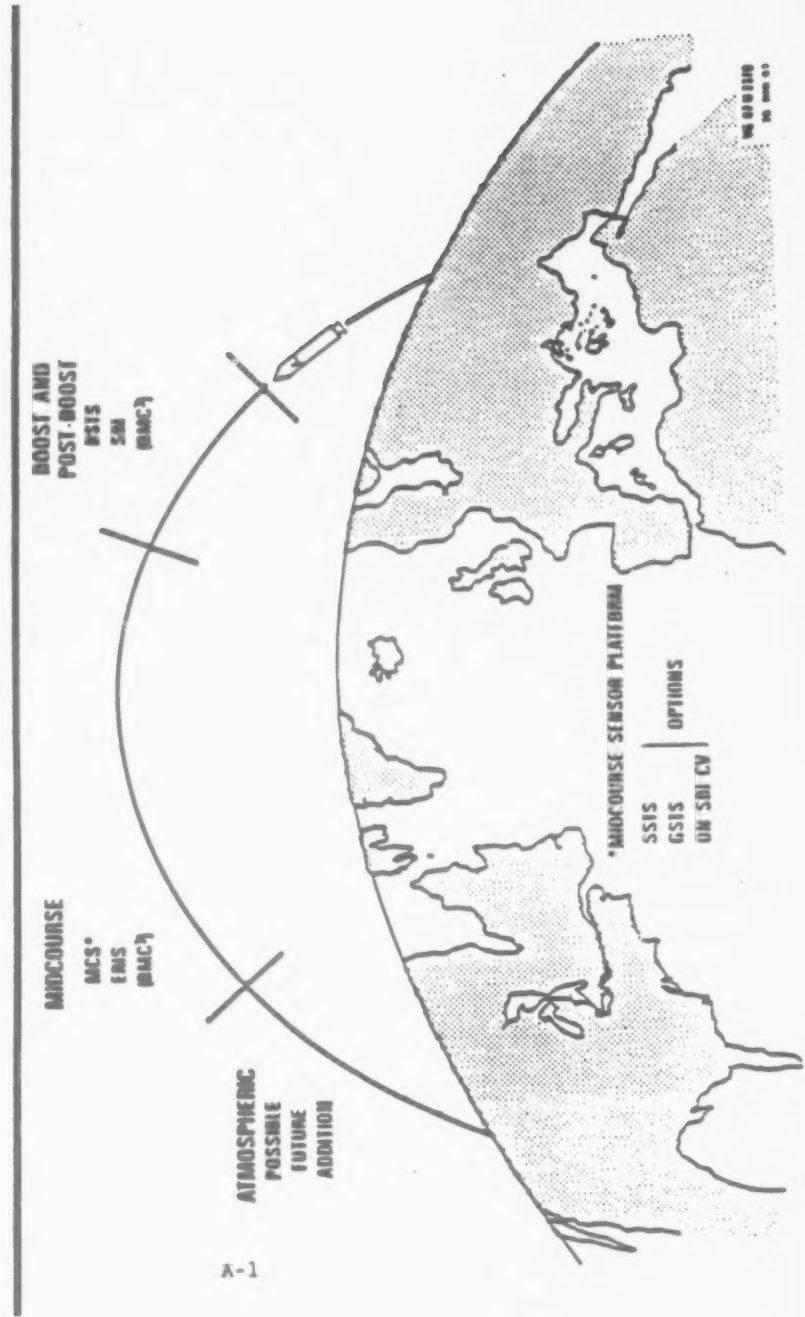
A. SDS STUDIES - PHASE I. The Services and SDIO are running parallel, complementary studies to evaluate sensor combinations for cost effective operation in midcourse. SDIO, in a national-level midcourse sensor study, is looking in depth at the possible contribution of the potential sensor platforms as a function of their configuration, location, and quantities. The Army is looking in detail at the contribution of GSTS probes to the Phase I system. The results of these studies are due at the end of 1987 and will be analyzed and merged so that an informed decision can be made in early 1988.

B. ARCHITECTURE ANALYSES - PHASE I. The SDIO Architecture Contractors are doing in-depth analysis of the characteristics and performance of the baseline Phase I architecture with specific assumptions regarding its elements. The purpose of their work is to refine the operational requirements of the system and get more definition of the BM/C³. They are using both conventional and process description methodologies in their analyses and the tools they are developing will be passed on to the NTB. The Architecture Contractors are also supporting the SDIO midcourse sensor study.

C. ARCHITECTURE WORK - FOLLOW-ON. Specific architecture work for follow-on phases will evolve as research into SDI technology programs continues. The technologies to support follow-on architectures are in their milestone zero phase of continuing research. Earlier studies have shown a number of potential ways to add to a Phase I system in response to changes in the Soviet threat. A major part of our effort is to assure that Phase I can respond resiliently to threat developments as Phase I grows to a follow-on system; that is, components can be added as required without impact on the overall system BM/C³. The analysis is parametric at this time because we do not know which direction the Soviets will take in their response to a Phase I system.

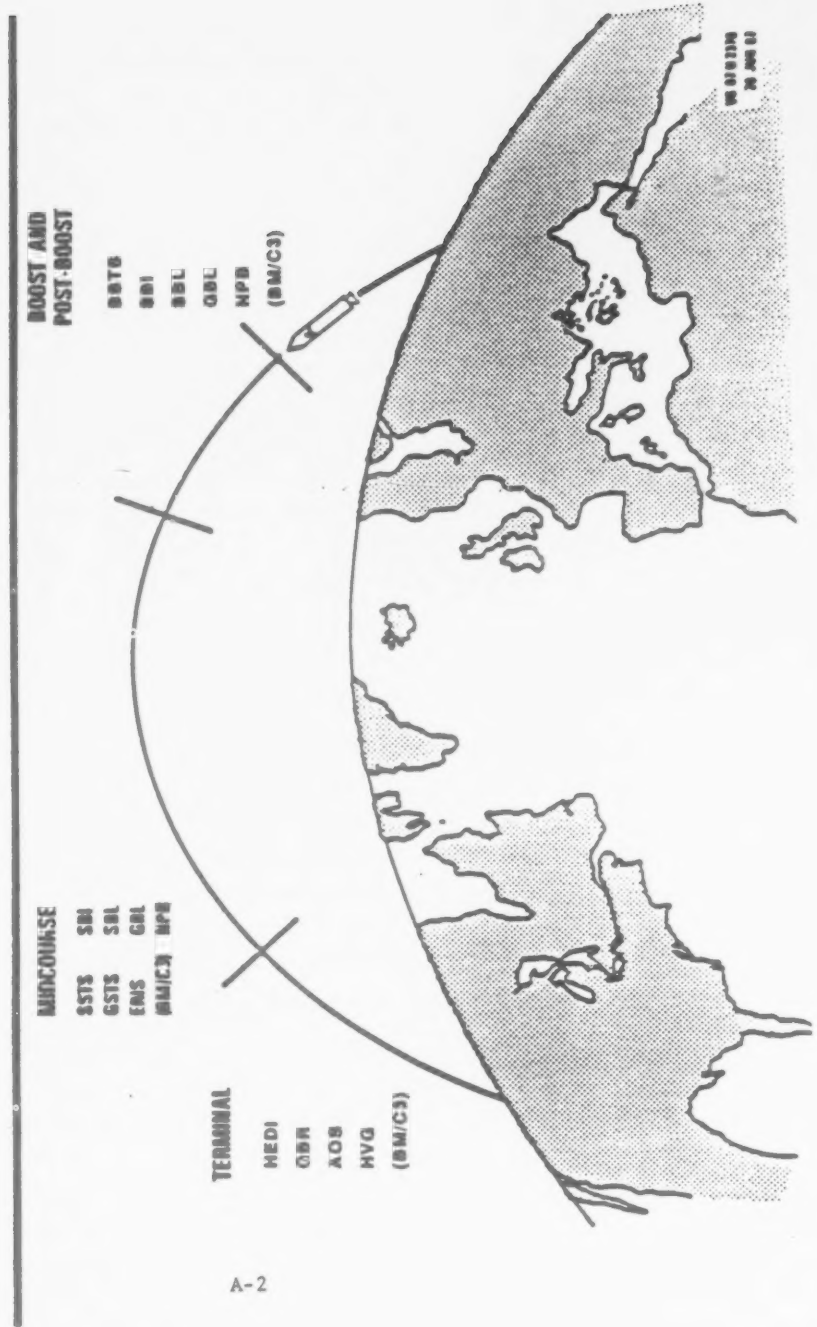
SDS PHASE 1 CORE CONCEPT

FIGURE A-1



SDS ARCHITECTURE ELEMENT CANDIDATES

FIGURE A-2



A-2

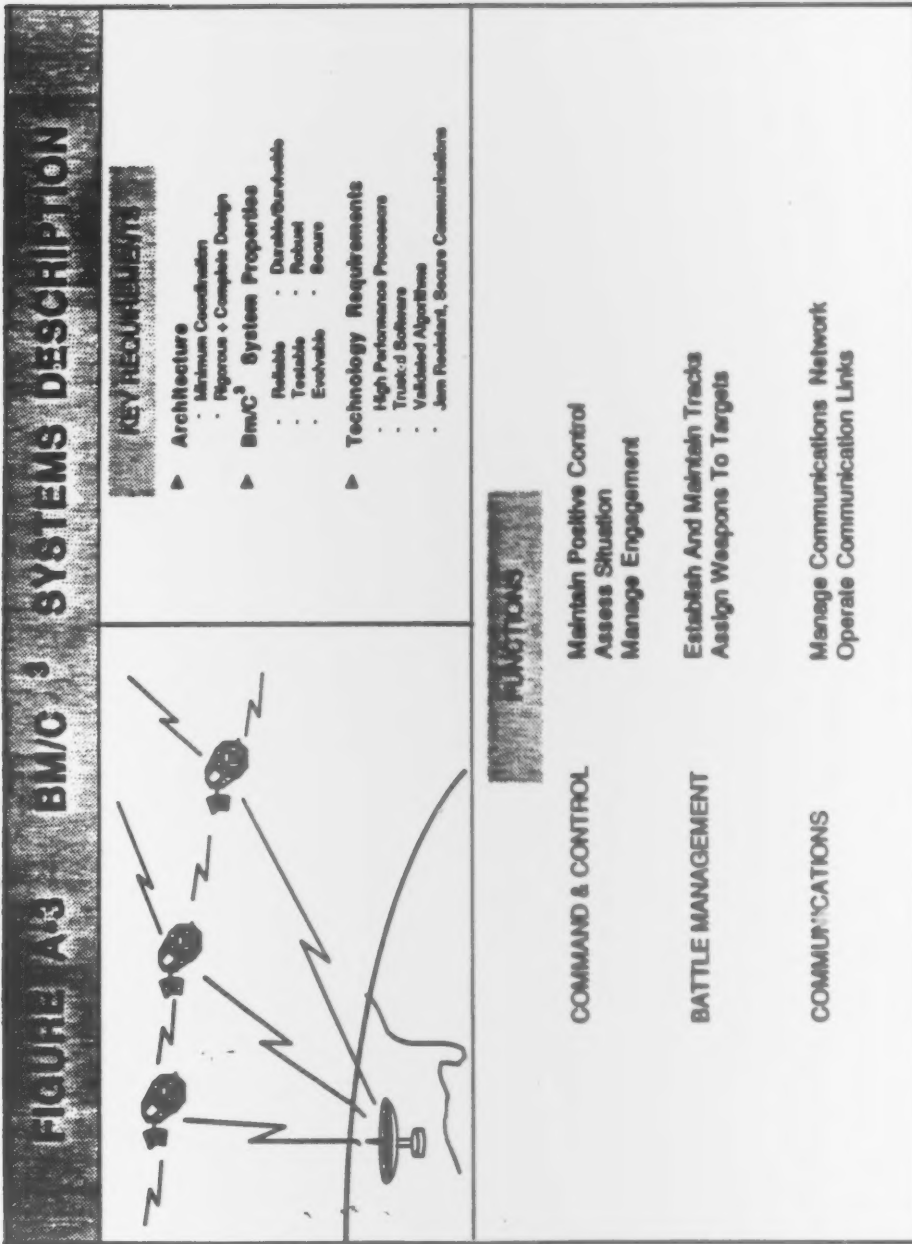


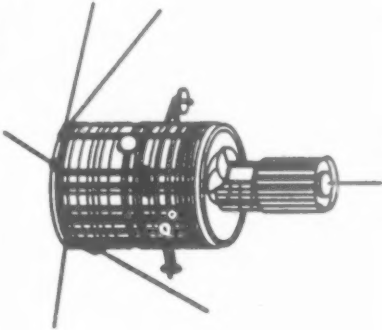
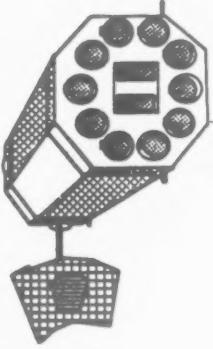
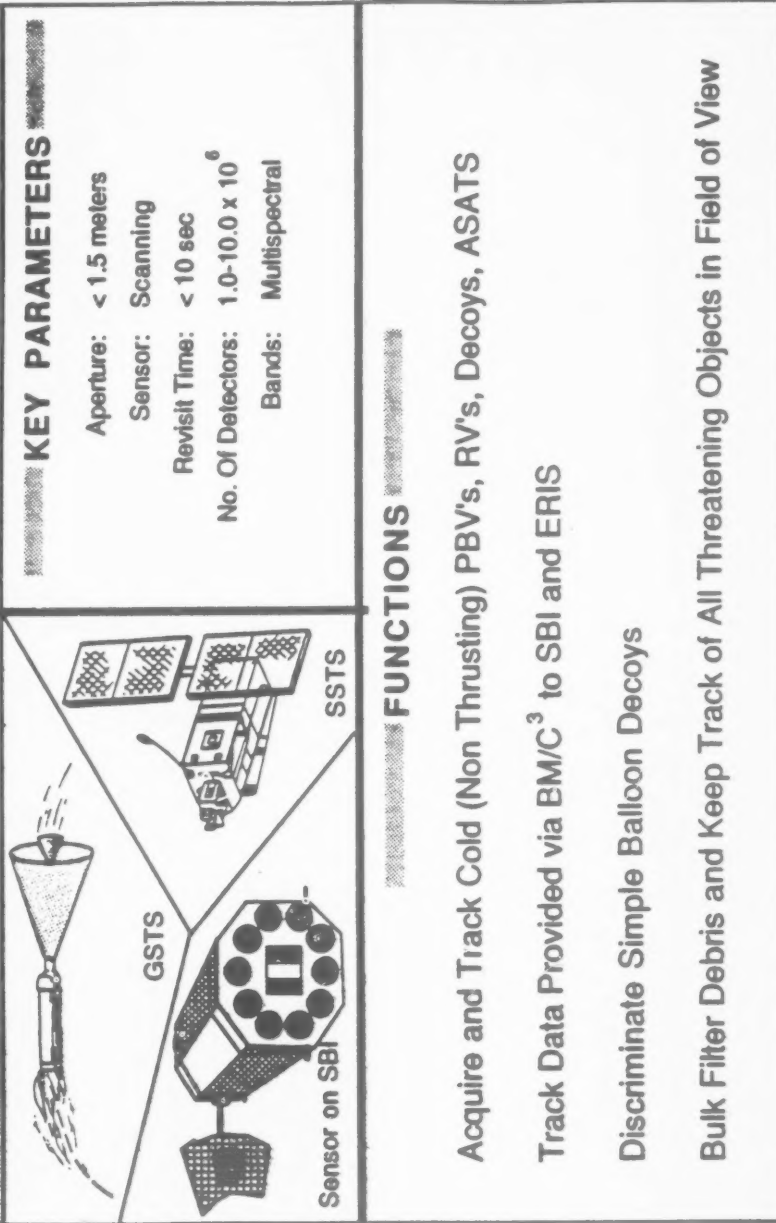
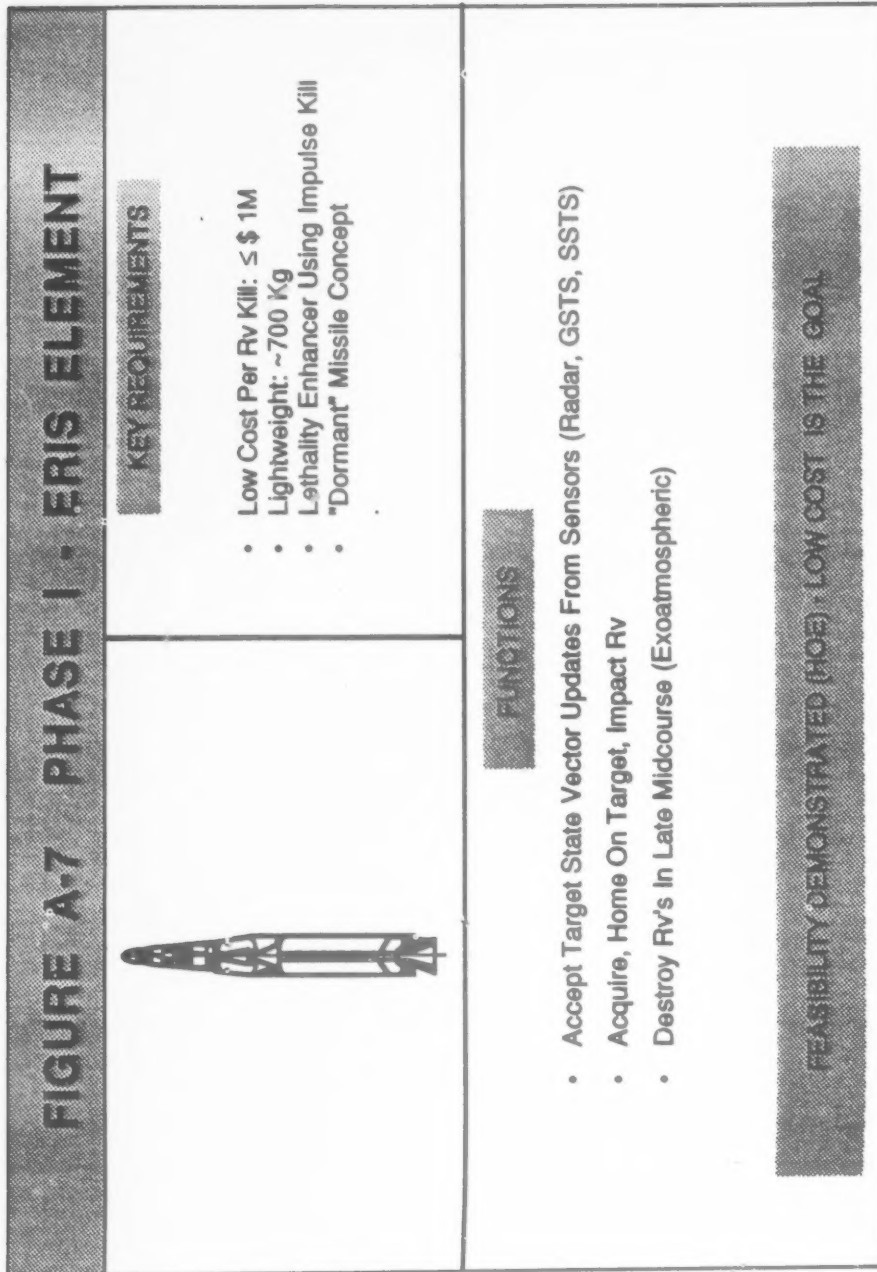
FIGURE A-4 PHASE I - BSTS ELEMENT	
	KEY REQUIREMENTS Size: approx. 36x16 ft. Bands: Multispectral Sensor: Scanning or Staring Power: 6-10 kW Total Spacecraft Weight: 5000-7000 kg
FUNCTIONS - Surveillance - Continuous Global Observation Of The Earth's Surface - Detection - ICBMs, IRBMs, SLBMs - Acquisition - Initiate Tracking Of Missiles - Tracking - Compute State Vectors And Predict Future Positions - Typing - Determine The Missile Type - Kill Assessment - Provide Data To Weapons To Assist In Determination Of A Hit Or Kill - Communications - Transmit Required Data To All Users - Battle Management - As Determined By The SDI Architecture	

FIGURE A-5 PHASE I - SPACE BASED INTERCEPTOR ELEMENT

	KEY REQUIREMENTS Carrier Vehicle - 3000 Kg Interceptor - Low Cost/Long Life
FUNCTIONS • Intercept Boosters, PBVs, RVs, Self Defense Against Direct Ascent ASATs • Carrier Vehicles - Store And Launch Interceptors - Assess Kill And Report Status • Interceptor - Acquire, Home On & Destroy Target TECH MATURITY AND HARDWARE DEVELOPMENT SUPPORTS FEASIBILITY	

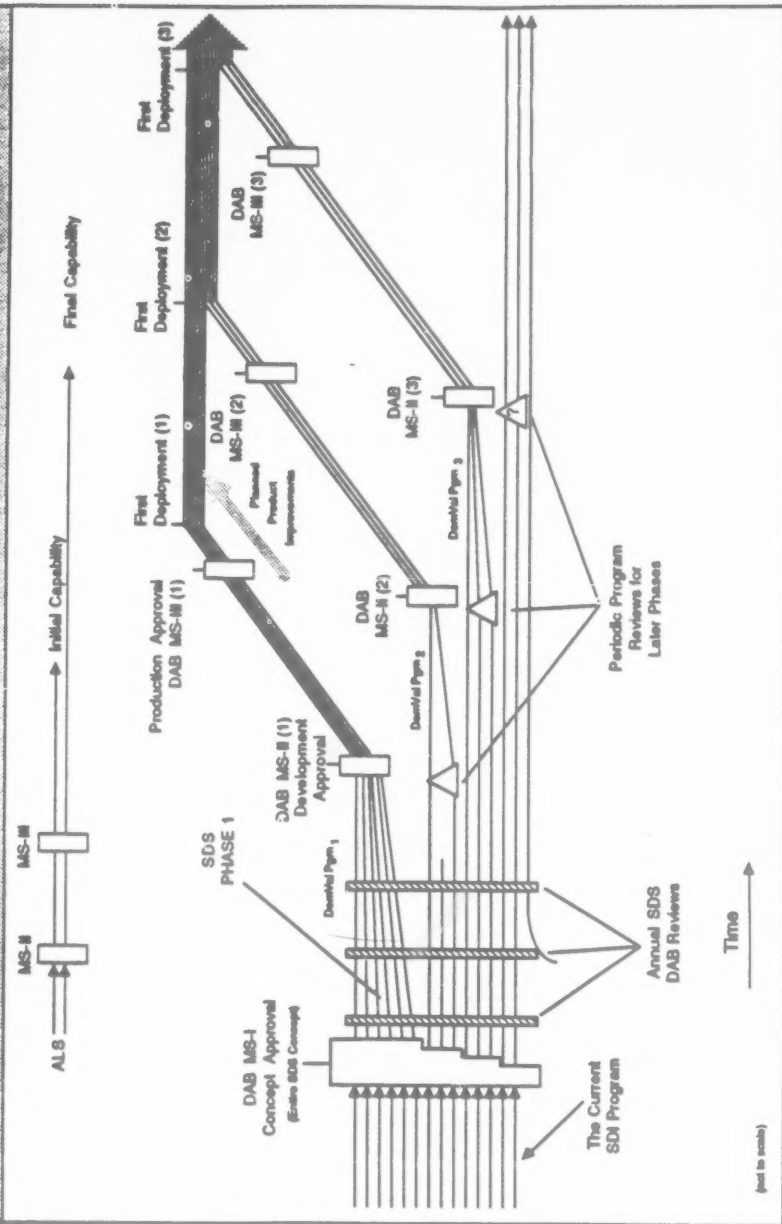
NTU A-6A(302)

FIGURE A-6 PHASE I - MIDCOURSE SURVEILLANCE ELEMENT



NTU A-8A(301)

FIGURE A-8 SDS ACQUISITION PROCESS



LIST OF ACRONYMS

ABM	Antiballistic Missile
ALS	Advanced Launch System
AOS	Airborne Optical Sensor
ASAT	Antisatellite
BM/C3	Battle Management/Command, Control, and Communications
BSTS	Boost Surveillance and Tracking System
C3	Command, Control, and Communications
CINC-SD	Commander in Chief-Strategic Defense
CONUS	Continental United States
CSOC	Consolidated Space Operations Center
CV	Carrier Vehicle
DAB	Defense Acquisition Board
DEFCON	Defense Condition
DEM/VAL	Demonstration/Validation
ECM	Electronic Countermeasures
ERIS	Exoatmospheric Reentry Vehicle Interceptor System
EW	Electronic Warfare
GBL	Ground Based Laser
GBR	Ground Based Radar
GSTS	Ground Based Surveillance and Tracking System
HEDI	High Endoatmospheric Defense Interceptor
HVG	Hypervelocity Gun
ICBM	Intercontinental Ballistic Missile
JCS	Joint Chiefs of Staff
LCC	Life Cycle Cost
MWIR	Medium Wavelength Infrared
NCA	National Command Authorities
NMCS	National Military Command System
NPB	Neutral Particle Beam
NTB	National Test Bed
NTF	National Test Facility
OMV	Orbital Maneuvering Vehicle
OTV	Orbital Transfer Vehicle
PBV	Post Boost Vehicle
PEN AIDS	Penetration Aids
P3I	Preplanned Product Improvement
ROC	Regional Operations Center
RV	Reentry Vehicle
SASS	Space Assets Support System
SATKA	Surveillance, Acquisition, Tracking and Kill Assessment
SBI	Space Based Interceptor
SBKKV	Space Based Kinetic Kill Vehicle
SBL	Space Based Laser
SBSP	Space Based Support Platforms
SCP	System Concept Paper
SDIAE	SDI Acquisition Executive
SDIO	Strategic Defense Initiative Organization
SDS	Strategic Defense System
SDS-CC	Strategic Defense System - Command Center
SDS-OC	Strategic Defense System - Operations Center
SLBM	Sea Launched Ballistic Missile
SSTS	Space Surveillance and Tracking System
SWIR	Short Wavelength Infrared
TBM	Tactical Ballistic Missile
TW/AA	Tactical Warning and Attack Assessment
WWMCCS	World Wide Military Command and Control System

NATIONAL TEST BED

General Fox. Let me talk first to the national test bed itself. It is, in my opinion, the key central facility from which one begins to do the end-to-end simulations on a strategic defense program, and one in which one can test the architectures and the architecture variations so we can have the most reasonable solution to a very complex system problem.

We are going to use it to do end-to-end simulations. We are going to use it to do some hardware in the loop testing and to assist us all the way through the program to make sure we do a fine balancing of the architecture to give us, from a cost, scheduling, and performance point of view, the best program.

Senator SASSER. The language in last year's Military Construction Act placed certain limitations on the expenditure of funds for the SDI facility, including the requirement that the facility be utilized only in support of operations and tests that are fully in compliance with the ABM Treaty. I assume you have been able to comply with that requirement

General Fox. Yes, sir.

Senator SASSER. The budget request indicates that you are seeking the deletion of last year's statutory language, including the provision which reads—and I quote:

None of the funds appropriated by this or any other act for the national test facility or any other components of the national test bed may be used to provide any operational battle management, command, control, or communications capability for an early deployment of a ballistic missile defense system.

Why are you seeking deletion of this particular provision, General Fox? The conclusion would be that you are planning activities in fiscal year 1989 that would be inconsistent with this language.

EXPERIMENTAL PROGRAMS

General Fox. We would like to attempt to put within the facility a command and control experimental version so we can begin to do some experimental work in the battle management area. We do not intend to put in an operational facility but merely an experimental version so we can do testing in that arena and also to pull together two other experimental versions that we are presently working with. One is ground based. It is being done at Huntsville. And another one is space based, which is being done in Boston in ESD.

And we would like eventually to be able to pull those experimental versions together into an integrated test to draw together the battle management/C³ program.

Senator SASSER. We may want to discuss that with you at some length later, General, perhaps even in a closed session. We may find that we are going to need more specific detail.

General Fox. All right, sir.

Senator SASSER. Gentlemen and General Fox, let me turn now to Senator Specter to see if he might have some questions or observations at this juncture.

ANTIBALLISTIC MISSILE TREATY COMPLIANCE

Senator SPECTER. Thank you very much, Mr. Chairman.

I would like to pick up on the chairman's question about compliance with the ABM Treaty. Of course, that has been an area of substantial controversy in the Senate as to what the ABM Treaty means in terms of the narrow or broad interpretation.

At the outset, let me say that my view is that the United States is not bound by the so-called narrow interpretation, after my study of the treaty, the negotiating record, the ratification record, and the documents on subsequent practices of the parties. But this issue was the subject of a lot of controversy, a filibuster last year, a number of cloture votes, a long delay on the Department of Defense authorization bill, and then a difficult tentative resolution of the matter in the fall.

The question that I have for you, General, is what have you had to do in a specific way to comply with the ABM Treaty? By that I take it you mean the narrow interpretation of the treaty; is that correct?

General Fox. Yes, sir.

Senator SPECTER. You have complied with the so-called narrow interpretation?

General Fox. Yes, sir.

Senator SPECTER. In a general way, what you have had to do to achieve that compliance?

NATIONAL TEST BED

General Fox. Well, in each of our programs, sir, the national test bed being just one, we have a system within the Defense Department in which the program is checked for compliance with the treaty through the appropriate channels and if necessary, is adjusted through those channels so that we make the changes necessary to keep it within the restrictive interpretation.

Senator SPECTER. Can you articulate in this open session—appropriately, for security reasons—what you would have done differently had you not been bound by the so-called narrow interpretation?

General Fox. I think—and I will ask Tom to put in his comment—as far as the national test bed is concerned there is nothing that we had to change in order to keep it within the realm of the treaty.

Senator SPECTER. With respect to what, you say?

General Fox. With respect to the national test facility itself, there is nothing within that facility that is outside the bounds of the strict interpretation of the treaty?

Senator SPECTER. So you are saying it has not made any difference to you at all?

General Fox. Not in the national test facility, no, sir.

Senator SPECTER. Has it made any difference to you in anything so far as your function is concerned?

General Fox. Yes, sir; my function outside of military construction, I am the deputy for programs and systems, and yes, the answer is many of our programs would have been constructed differently, mainly to get

us more information, more quickly, of a technical nature than we can now.

Senator SPECTER. Even though that is outside the purview of the national test facility, let me ask you just briefly what kind of delays, if any, have been encountered as a result of the narrow interpretation.

General Fox. It delays or prohibits us from achieving certain information, because there are obviously certain tests we absolutely cannot do under the narrow interpretation.

Senator SPECTER. You say certain ones you cannot do?

General Fox. Cannot. For instance, under the interpretation of the treaty, if you fire a missile it has to be controlled by a ground-based radar, and that is the very strict interpretation of the treaty. There are certain rules that make it very clear what we can do and cannot do. Some are not so clear.

I am not a lawyer and not one who is an expert in the ABM Treaty, but we have adjusted our programs in order to try to be in strict compliance with the treaty.

DOLLAR COSTS TO OPERATE WITHIN NARROW INTERPRETATION OF TREATY

Senator SPECTER. One of the things that a number of us tried to determine is what has it cost us in terms of dollars to stay within the narrow interpretation and what has it cost us in terms of delay on testing. The tests can be accomplished, as I understand it, but it takes longer within the narrow interpretation. Would you be in a position to shed any light on either of those two questions?

General Fox. The 1988 report to the Congress on the strategic defense initiative provides that information and the appropriate section will be provided for the record.

[The information follows:]

APPENDIX G
IMPLICATIONS OF NO ABM TREATY RESTRICTIONS
ON THE SDI PROGRAM

INTRODUCTION

On May 19, 1987, the Department of Defense (DOD), pursuant to Sec. 217 of the FY 1987 DOD Authorization, released to the Congress a report on the implications for the SDI Program of adopting the broad interpretation of the ABM Treaty. Entitled "A Report to the Congress on the Antiballistic Missile Treaty," this report included a comparison of a broad interpretation program with a program structured to remain consistent with the restrictive interpretation. The conclusions rendered at that time remain largely valid and will be referred to, as appropriate, in this report. However, budget reductions have resulted in certain programmatic changes since the report was issued. Where appropriate, this report will note where those changes alter the conclusions of last year's report.

Because most of the technologies being pursued under the SDI Program are clearly, or are assumed to be, based on "other physical principles (OPP)" and, therefore, not subject to testing or development restrictions under the broad interpretation, there are essentially no programmatic differences between what could be done under the broad interpretation and what could be done if there were no limitations in force under the ABM Treaty. The only major difference would lie in the area of deployment: under both the broad and the narrow interpretation, no deployments of OPP systems would be permitted. With no ABM Treaty limitations in force, of course, there would be no restriction on deployment.

As in last year's report, the following assumptions are made:

- o The President's objective, to demonstrate the feasibility of comprehensive defense for both the United States and its allies in order to support a decision as soon as possible on whether to deploy effective defenses remains unchanged;
- o A balance will be maintained in the program between mature and less developed technology; and
- o Advanced kinetic energy weapons (KEWs) are technologies "based on other physical principles" and, therefore, can be fully tested and developed under the broad interpretation of the ABM Treaty, even if space-based.

PROGRAM COST

The overall cost of the SDI program--up to full-scale development (FSD) of Phase I SDS

elements—described in last year's report, which was structured to be consistent with the restrictive interpretation of the ABM Treaty, was approximately \$3 billion more than the program structured to be consistent with the broad interpretation. (See 1987 DOD Report to Congress on the ABM Treaty for a fuller discussion.) No savings beyond those of the broad interpretation would result if no ABM Treaty limits were enforced.

PROGRAM SCHEDULE

As noted in last year's report, under the restrictive interpretation of the ABM Treaty, the SDI program would be ready to enter FSD for an initial SDS (assuming the United States withdrew from the ABM Treaty two years earlier). After a four-year FSD period, deployments could begin. Under the broad interpretation, the program could enter into FSD and, following withdrawal from the ABM Treaty, the United States could begin to deploy a Phase I Strategic Defense System (SDS). (See May 19, 1987 DOD Report to Congress on the ABM Treaty for details.) It should be noted that the schedule described for the broad interpretation could be met under the restrictive interpretation, if additional funding were provided, and if a lower level of confidence in defense system feasibility prior to a decision to enter FSD were acceptable programmatically and politically.

If no ABM Treaty limits were enforced, the FSD and deployment schedule would be the same as for the broad interpretation, except that, in the absence of Treaty limits, it would not be necessary to withdraw from the Treaty to deploy. This assessment assumes that the Congress would be willing politically (it is not a legal issue) to permit the establishment of production facilities as well as the actual production of strategic defense weapons and sensors for test purposes during FSD and prior to deployment. If this did not prove to be the case, then under the broad interpretation the United States would have to withdraw from the ABM Treaty at some point during FSD to permit a deployment.

The dates above assume full funding for SDI, as identified in the FY 1988-1989 budget request. However, since the 1987 report to Congress on this subject was issued, the Congress has reduced the DOD portion of the FY 1988 SDI budget by \$1.6 billion, to \$3.6 billion. In addition, as a result of the requirement to make significant cuts in the DOD budget, the Administration has reduced planned funding for the SDI program for FY 1989 and beyond. These budget cuts will have the effect of moving the dates when full-scale engineering and development could commence one to two years farther into the future, if the same confidence levels envisioned in last year's report are to be achieved.

CONFIDENCE LEVEL

Confidence in technical feasibility is a measure of the opinion of technical experts and decisionmakers that a defense system, consisting of a given set of defensive technologies, will be effective in achieving a specified mission against a specific Soviet threat. Thus, the rate of increase

in confidence and the level of confidence are determined by changes in defensive technologies, mission, and threat.

Under the broad interpretation, technical confidence in defense feasibility would increase faster and would reach a higher level when critical national decisions on whether to alter fundamentally the ABM Treaty regime would have to be made.

During the pre-FSD phase of a broad interpretation program, system exploration experiments would be conducted (system exploration experiments combine state-of-the-art sensors, weapons and battle management technologies to address fundamental system integration issues early in the program). These experiments could identify unexpected technical issues which then would be addressed and resolved in later technology validation experiments. Because these system exploration experiments could be conducted under a broad interpretation program, but not under a restrictive program, and because an early understanding of how components of a defensive system interact has a critical impact on the rate of increase in confidence, a broad interpretation program would result in a faster rate of growth in confidence than a restrictive interpretation program.

By contrast, during the pre-FSD phase of a restrictive interpretation program, technology and system validation issues involving mobile ABM technologies would have to be addressed through simulations and non-ABM-capable experiments. While this activity would increase confidence, the rate of increase would be less than could be achieved under a program consistent with the broad interpretation. Under the restrictive interpretation, ABM-capable system validation and technology validation experiments needed to provide the additional confidence that would be desired for an FSD decision, could be conducted only after the ABM Treaty regime had been fundamentally altered.

Under a program in which no ABM Treaty limits are recognized, confidence in the feasibility of defenses incorporating devices based on "other physical principles" would increase at the same rate as a program pursued under the broad interpretation.

STRATEGIC DEFENSE SYSTEM OPTIONS

The removal of limitations under the ABM Treaty would provide no programmatic benefits in developing SDS options beyond those provided by the broad interpretation. The May 19, 1987 Report to Congress on the ABM Treaty provides programmatic details of an SDI program that could be pursued under the broad interpretation of the ABM Treaty. This program would maximize cost reduction, provide the shortest path to an informed FSD decision, and maximize the level of confidence in defense feasibility.

OPERATIONAL IMPLICATIONS OF U.S. AND SOVIET DEFENSE SYSTEM DEPLOYMENTS

Soviet Deployment of Near-Term, Nationwide Strategic Defenses

If the United States maintains an effective SDI research and technology program, it is less likely that the U.S.S.R. will opt to deploy a near-term, nationwide defense to attempt to gain a unilateral military advantage over the United States, even if the ABM Treaty ceased to exist. This assessment stems from the judgement that Soviet ballistic missile defense decisions are based less on what is permitted by the ABM Treaty than what is in its national security interest. For the Soviets, the main consideration is the impact a nationwide ABM deployment would have on their strategic position, taking into account U.S. response options.

If the United States had not pursued the SDI program in 1983 and had it continued to accord ABM research a low priority, the prospects for a Soviet unilateral deployment of defenses would have been increased. Because the United States would not have had useful strategic defense options to field in response to the Soviet deployment, and because in the West offensive force proliferation would be unlikely to be politically viable, a nationwide deployment of traditional defenses could have altered the strategic balance in the Soviet favor, and, thus, might have been appealing to the U.S.S.R. However, with SDI, the United States will have effective options which can be deployed to counter the effects of any Soviet deployments. This capability undermines the payoff to the Soviets of a near-term defense system deployment.

Nevertheless, if the Soviet Union were to decide today to deploy a near-term nationwide defense against ballistic missiles, the initial stages of such a defense would necessarily incorporate traditional ABM technologies (although improvements to such a defense system could incorporate OPP technologies in the 1990's). These technologies would consist of ground-based, nuclear-armed, exoatmospheric and endoatmospheric interceptors, such as the upgraded GALOSH and the GAZELLE being deployed around Moscow. It also would consist of the large network of ground-based radars that the U.S.S.R. is deploying around the Soviet Union. In addition, the Soviet Union has developed a rapidly deployable ABM system, consisting of the GAZELLE interceptor and the FLAT TWIN and PAWN SHOP radars. These technologies would be deployed in addition to the SA-10 and SA-12 air defense systems which are already being deployed for air and tactical ballistic missile defense purposes, but which may have the potential to intercept some types of strategic ballistic missiles.

If the Soviets wished to deploy a near-term nationwide ABM defense, they may not wish to commence deployments until they could complete the upgrade of the Moscow ABM system and a larger portion of the large phased-array radar (LPR) network now under construction. Soviet ABM deployments could reach a few hundred interceptor launchers in the early to mid 1990s and perhaps a few thousand interceptor launchers after the year 2000.

Defense coverage could include more than 100 ABM sites. Owing to the limitations of a traditional ABM system, and the importance of surviving military forces to Soviet doctrine, an early Soviet nationwide ABM defense would not be expected to provide more than incidental coverage to non-military or military-related assets. It is also assumed that the Soviet Union would not actively defend ICBM silos, although some silos would receive some protection by virtue of their collocation with other defended assets. This assumption is based on Soviet strategic military doctrine which, in the event nuclear war with the West appears likely, calls for preemptive nuclear strikes on U.S. and allied nuclear retaliatory forces. Soviet fixed ICBMs would constitute the main force of such an attack. Much, although not all, of the remaining ICBM force would consist of mobile SS-24s and SS-25s, which are less vulnerable to prompt retaliation than fixed missile silos. Any Soviet fixed ICBMs not used preemptively would likely be launched on tactical warning.

Implications for Deterrence of U.S. and Soviet Nationwide Defenses

In the event the United States and the Soviet Union deploy strategic defenses, the means by which the United States achieves deterrence will necessarily change. Today, the United States achieves deterrence by maintaining the ability to hold at risk the full range of high-value Soviet assets so that an effective, credible, and flexible response can be made, regardless of the nature of the Soviet attack. These assets consist of Soviet strategic forces (ICBM silos and launch facilities, bomber bases, SSBN ports, nuclear weapons storage sites), command, control, and communications (C³) facilities (including political and military leadership bunkers), conventional military forces, and war-supporting industries.

Prompt hard-target capability, such as is provided today by some land-based missiles, is required to retaliate effectively against ICBM silos and launch facilities and some C³ facilities. Other prompt, but non-hard-target-capable ballistic missiles, especially those currently deployed aboard submarines, are important in retaliating rapidly against such "soft" assets as bomber bases and SSBN ports, (although if hostilities followed several hours or days of force generation, it would not be necessary to attack them promptly, since most of the bombers and submarines would no longer be present). In time of war, such a prompt-response capability would permit the United States to begin to disrupt Soviet war plans and activities within the first hour of hostilities. Other less time-urgent assets in the Soviet Union, such as conventional forces and some C³ facilities can be covered by bomber and cruise missile forces.

With ballistic missile defenses deployed by both the United States and the Soviet Union these targeting priorities would change. Soviet ICBM silos, missile launch control facilities, and SSBN ports would no longer be a priority target for U.S. ballistic missile forces. By attacking land- and sea-based ballistic missiles in flight, ABM defenses can substitute for the counter silo and counter SSBN port mission of U.S. ICBMs and SLBMs. In this sense the only difference between defense and offense is that the defense destroys missiles in flight while the offense destroys them (as well as anything that is collocated) on Soviet territory. To the extent appropriate, ICBM silos and SSBN ports can be destroyed later by air-breathing assets.

Many of those few assets that could not be countered by defenses, but which one might wish to destroy in a time-urgent manner (some C³ facilities and bomber bases), could be dealt with by concentrating available ballistic missile forces on this narrow category of Soviet assets. If Soviet defenses had sufficient effectiveness to prevent even this tactic from succeeding (and assuming a U.S. defense of equal effectiveness), destroying these assets promptly would not be necessary. Under these conditions, the rate with which U.S. and Soviet strategic military options could be executed would be reduced sufficiently to permit slower flying bombers and cruise missiles to be used against these assets.

The fact that the military utility of the U.S. strategic missile force would be reduced by Soviet defenses need not present a deterrence problem for the United States provided the utility of the Soviet ballistic missile force is similarly reduced. The U.S. requirement for prompt retaliatory capability is closely related to the degree to which Soviet strategic forces can support rapid attack options. If Soviet strategic forces can enforce a rapid operational pace in time of war, effective deterrence requires that the United States have forces that can match this pace. As Soviet rapid attack options are reduced, the burden of military operations would shift to less rapid attack options, reducing the pace of conflict. This, in turn, would reduce U.S. dependence on rapid retaliatory capability. Consequently, a Soviet ability to deny the United States a rapid retaliatory capability would not be detrimental to deterrence if U.S. defenses obviated the need for such capability.

Assets that even today do not require prompt retaliation (e.g., some C³ facilities, nuclear weapon storage sites, conventional military forces, war-supporting industries) would not require it in a strategic environment where ballistic missile defenses play a crucial role.

In view of the above, if the United States began to deploy effective defenses against Soviet ballistic missiles as or before the Soviet Union was able to field an extensive defense capability (this is possible if the SDI program is given full budgetary support), it would not be necessary to make extensive modifications to U.S. strategic ballistic missile forces. The development and deployment by the United States of countermeasures to Soviet ballistic missile defenses would be required only if the United States could not maintain a balance in U.S. and Soviet strategic capability by means of strategic defense. This would only be the case if effective defenses prove to be infeasible or if the SDI program receives insufficient funding to permit the United States to exploit effective defense options in a timely manner.

Of course, as dependence on ballistic missiles is reduced, the U.S. strategic force structure would begin to shift in the direction of greater dependence on air-breathing systems (i.e., bombers and cruise missiles) in order to maintain adequate coverage of the Soviet target base. The precise cost and duration of this force restructuring cannot be determined at this time, since it depends significantly on the overall effectiveness of Soviet ballistic missile and air defenses. Nevertheless, since Advanced Technology Bomber and Advanced Cruise Missile production lines would already

be operating to satisfy Strategic Modernization Program requirements, the cost and duration of this restructuring could be minimized. Over a more extended period, existing SSBNs might be converted to carry long-range, sea-launched cruise missiles. These changes in the U.S. strategic force structure could be accommodated within the limits of START by reducing deployed U.S. ballistic missiles.

Crisis Stability in a Transition to Defense

Crisis stability is a concept which seeks to define the degree to which the existing balance of forces between two or more adversarial nations can increase or decrease incentives to go to war during a severe international crisis. During such a crisis, nations assess the possibility that it could lead to conflict and the possible outcome of such a conflict. If the balance of forces is such that one or more of these nations believe that the outcome of conflict--should it come--would be very favorable to them if they strike first, but that the outcome would be very unfavorable to them if they do not, then the incentives for the nations involved to initiate hostilities would be relatively high. Under such conditions, the likelihood that an international crisis would lead to armed conflict would be equally high. This situation is characteristic of crisis instability. Conversely, if the balance of forces is such that it makes little difference to the outcome of a conflict whether a nation strikes first or second, a high degree of crisis stability is said to prevail. Under these circumstances, the likelihood of a crisis resulting in conflict is reduced significantly.

By reducing the military benefit that the Soviet Union might realize by a first strike, and the costs to the United States of such an attack, effective U.S. defenses could decrease significantly incentives to attack and, therefore, increase significantly crisis stability. In addition, if the United States restructures its offensive forces during the defense transition at roughly the same pace as the Soviet Union, no destabilizing imbalance in effective offensive capability would emerge. Since the United States traditionally has placed a greater priority on air-breathing forces (which would be the core of any offensive force restructuring) than the Soviet Union, and since the United States would have bomber and cruise missile programs in production in the 1990s, regardless of any decision to deploy ballistic missile defenses, maintaining an offensive balance would not be stressful for the United States.

Survivability of any deployed ballistic missile defense system is essential to stability. Consequently, one of the essential criteria of any deployed U.S. defense against ballistic missiles is that it be able to sustain direct attacks against it without losing its ability to satisfy its intended mission. By definition, therefore, any defense system that would be deployed by the United States would not be susceptible to rapid attack and degradation of mission capability and, thus, would not raise an issue of stability or deterrence effectiveness, either during the transition period or after the defense system is fully deployed.

Senator SPECTER. As far as military construction, as you say, for the national test facility, narrow versus broad has not had an impact on that?

General Fox. Not an issue, no, sir.

Senator SPECTER. Colonel, we cut you off before you had a chance to respond. Do you have anything to correct in the General's answer on this?

Colonel LEIB. No, sir.

Senator SPECTER. Or supplement?

Colonel LEIB. No; we are strictly in an R&D facility that is in the R&D phase, looking at different experiments, different simulations, and we have not had to adjust, based on the treaty.

Senator SPECTER. Thank you very much. Thank you very much, Mr. Chairman.

General Fox. Thank you, sir.

Senator SASSER. Gentlemen, thank you for appearing here this morning.

(CLOSED SESSION)

NATIONAL SECURITY AGENCY

STATEMENT OF ROBERT C. ARNDT, ASSISTANT DIRECTOR FOR INSTALLATIONS AND LOGISTICS

ACCOMPANIED BY [DELETED], CHIEF OF THE OFFICE OF FACILITIES ENGINEERING

BUDGET REQUEST

Senator SASSER. The subcommittee will now convene in closed session to take testimony from Mr. Robert C. Arndt, the Deputy Director of the National Security Agency. The staff would be asked to clear the room of those individuals who do not have the appropriate security clearance.

[Pause.]

Senator SASSER. They tell me the room is now snugged down and secure, and there is no way anybody can hear what we are saying here. So we will proceed.

Mr. Arndt, we thank you for coming. The budget request before the subcommittee today is for [deleted]. Now tell us how this amount compares to the amount appropriated last year. You may just proceed as you wish.

Mr. ARNDT. I have submitted a classified statement for the record and I did not intend today to repeat that. I do have a short statement that summarizes that, and if you would like I can have that entered into the record also and address then any questions you may have after we are completed with that.

Senator SASSER. Your statement will be included in the record as if read.

Mr. ARNDT. Mr. Chairman, members of the committee, I appreciate the opportunity to meet with you today to discuss the National Security Agency's fiscal year 1989 budget request for military construction and family housing. I am accompanied by [deleted], Chief of the Office of Facilities Engineering.

I have submitted a classified statement for the record which describes the 1989 program in greater detail than I will address in the brief oral summary.

REQUIREMENT OF 1989 BUDGET

Because of recent fiscal pressures our 1989 Milcon request of [deleted] plus the family housing portion, which brings it to the [deleted] is the smallest since 1985. Nevertheless, within this modest level our focus is broad, addressing expanding operational requirements,

survivability of the SIGINT system at all levels of stress, protecting existing facilities and providing adequate family housing for personnel at our field sites.

The trend of increasing international terrorist activity, the volatile international political climate, and the increased demand for intelligence information are forcing us to expand some facilities and to provide new facilities that are less vulnerable to those world conditions. We must also protect our personnel in existing facilities by providing proper fire protection.

PROJECTS IN 1989 BUDGET

Our fiscal year 1989 program is vital to accomplishing these goals. It contains two continental U.S. projects and three projects at overseas locations. The continental U.S. projects include a [deleted] facility at a classified location and a sprinkler system for our early 1960's vintage nine-story headquarters building at Fort Meade. The new facility will provide [deleted] support to unified and specified commands and will support the initial step toward the development of a [deleted] system that will [deleted] under the most adverse conditions.

OVERSEAS PROJECTS

Two overseas projects will expand facilities [deleted]. The first is a new bonded storage facility that will provide permanent secure storage to replace borrowed space that must be vacated. The second project will build, in addition to [deleted] a building which will provide needed space to install new equipment [deleted] that will support the expanding mission.

The third overseas project will relocate [deleted]. The relocation is necessary because of the encroachment of a growing metropolitan area which represents unacceptable [deleted] and threatens physical security.

FAMILY HOUSING PROGRAM

No less important is our family housing program, which represents a continuing effort to build, lease, and maintain adequate facilities to house our personnel residing at NSA field sites.

This concludes my opening statement, and I would be happy to answer any questions.

In terms of the question you asked, our last year's major construction program was approximately \$63.8 million, and \$8.9 million for family housing.

[The statement follows:]

PREPARED STATEMENT OF ROBERT C. ARNDT
assistant director for installations and logistics

NSA/CSS

INTRODUCTION

Mr. Chairman and Members of the committee, I appreciate the opportunity to meet with you today to discuss the National Security Agency's fiscal year 1989 budget request for military construction and family housing. I am accompanied by (deleted), Chief of the Office of Facilities Engineering. Our primary focus in 1989 concerns expanding operational requirements, preservation of existing critical operations, protection of existing facilities, and providing adequate family housing at our field sites.

The increase in international terrorist activity, the volatile political climate, and the increased demand for intelligence information have forced us to expand some facilities and to provide new facilities that are less vulnerable. We must also protect our personnel and existing facilities by providing proper fire protection. To help accomplish these goals, we have programmed 5 major MILCON projects for FY 1989, totalling \$33,480,000. In addition, we are requesting \$9,174,000 to continue providing adequate housing facilities at our field locations.

I will now discuss each project in the FY 1989 program.

FY 1989
(DELETED) FACILITY, CONUS (TS)

(Deleted). This project will construct a (deleted) facility at a classified site in continental United States. The facility is designed as a (deleted). This facility represents a major focus of which is to enhance the (deleted) resources of NSA (deleted).

(Deleted) support to the (deleted) Unified and Specified Commands. The buildings will also support what General Odom calls our (deleted).

FY 1989
(DELETED) RELOCATION — (DELETED)

(Deleted) is one of three major (deleted) operated by NSA in the (deleted). This facility is collocated with a (deleted) facility. An expanding metropolitan area is en-

croaching on the site, presenting an unacceptable (deleted). To prevent further (deleted) and to ensure the physical security and operational integrity of this (deleted) project, NSA (deleted) decision to relocate both facilities an integrated package. (Deleted) relocation is closely tied to the move of the collocated (deleted) facility, as the (deleted) facility shares on-site equipment with (deleted).

(Deleted) has selected a new site and will provide sufficient space to house the relocated (deleted) facility. Funding for the (deleted) relocation will provide for site preparation, a covered (deleted) an administration and storage building, a vehicle maintenance building, required electrical equipment, and supporting facilities.

(Deleted) facility plays an essential role in satisfaction of National-level intelligence requirements levied upon NSA. It is a critical component in our efforts to achieve (deleted) and its relocation with the (deleted) facility will ensure continued operations. Without this project, (deleted).

FY 1989

SPRINKLERS - HEADQUARTERS BUILDING - \$2,230,000 (C)

(U) This project will provide automatic sprinkler protection for the nine-story Headquarters Building at the NSA Fort Meade complex. Although the majority of the basement of this building has been outfitted with sprinklers to satisfy a DOD requirement to protect mission-essential electronic equipment areas, the building does not meet applicable fire and life safety codes and criteria. Since the Headquarters Building is classified as a high rise facility, sprinklers are required by the National Fire Protection Association (NFPA) and DOD. The facility also contains other critical equipment requiring sprinkler protection, as specified in DOD Manual 4270.1M, Construction Criteria.

(U) NSA is committed to meeting mission and safety requirements by minimizing the effects of fire on its facilities and personnel. This project will correct long-standing deficiencies and violations of DOD and NFPA criteria for life safety and property protection. All areas of this building contain mission-critical and/or support facilities which, if lost to fire, would have a direct impact on national security. Without the installation of this sprinkler system, personnel and facilities will continue to be exposed to the high risk of fire with resultant loss of mission, potential personal injury, or loss of life.

FY 1989

BUILDING 36 ADDITION - \$8,300,000 (C)

(Deleted) This (deleted) addition to Building 36(d) at (deleted) will provide needed operational and support

space for the expanding (deleted) mission at the site. Construction will include such supporting facilities as (deleted) additional electrical power, plumbing and heating systems and site preparation.

(Deleted) Building 36(d) currently provides operational space for existing systems, but is not capable of supporting any expansion in mission requirements. If this addition is not built, new equipment and systems acquisitions will be delayed or cancelled due to already overcrowded conditions, thereby reducing or eliminating the site's ability to support new requirements. The deployment of (deleted) is critical to the establishment of (deleted) the expansion of existing missions.

FY 1989

STORAGE FACILITY - \$950,000 (C)

(Deleted) This project will construct a (deleted) warehouse to provide adequate space for short-term and long-term storage requirements (deleted) material shipped into the (deleted). The facility will provide critically needed space for bonded and bulk storage, packing and crating, and a receiving and staging area.

(Deleted) Existing warehouse facilities at the station are inadequate to meet current warehousing and bonded storage requirements. Materials must now be stored in inadequate, nonsecure storage facilities on-station, and off-station (deleted) in order to accommodate all requirements. (Deleted) has advised that space occupied by (deleted) must be vacated in the next few months. In addition, storage requirements at (deleted) are projected to increase significantly in the future due to the deployment of new systems to support (deleted).

(Deleted) requires adequate warehouse space to secure and protect (deleted) equipment, and to provide space for new mission equipment. Without this facility (deleted) the procurement of essential supplies and equipment will have to be deferred due to the warehouse space shortage.

FY 1989

FAMILY HOUSING DEFENSE APPROPRIATIONS - \$9,174,000

(Deleted) The FY 1989 request for Family Housing represents a continuation of our ongoing leasing program at (deleted) locations (\$7,481,000), minor improvements to older government owned units (\$92,000), and a level of funds for the operation and maintenance portion of the Family Housing Program (\$1,200,000). In addition, as in FY 1988, we are also requesting funds for Military Construction to continue our phased acquisition of three units in the (deleted) (\$401,000).

NATIONAL SECURITY AGENCY PROJECTS

Senator SASSER. Mr. Arndt, thank you for your testimony.

The NSA plays a valuable role in the defense of our Nation and we appreciate the contributions that NSA makes. Can you tell us do you have any large projects looming on the horizon which will be included in the 1990-91 budgets, and, if so, could you summarize them for us?

Mr. ARNDT. Yes; we do have one included in the 1990 program which is the national cryptologic training school. The program of record shows that approximately [deleted]. That is the most significant project that we have in our program intended for fiscal year 1990.

Senator SASSER. All right. How about 1991?

Mr. ARNDT. In 1991 we have another major addition to the field station at [deleted] cope, again, with the expanding mission at that particular location; and that is the last addition that we have planned for that particular location.

TRAFFIC CONGESTION ON ROUTE 32

Senator SASSER. Let me ask you a highly sensitive question in this closed meeting here today, Mr. Arndt. Senator Mikulski is particularly concerned about traffic congestion on Route 32, and she wants to know what your plans are to alleviate the traffic problem there.

Mr. ARNDT. We are, of course, dependent on the State to provide new roads and overpasses, but we have asked for supplemental funding in fiscal year 1989. We have experienced many accidents on an annual basis at that particular location, and the traffic increase is not just due to our employee expansion that has occurred over the past several years, but also due to the State improving the main access road, giving the people in the community better access to the Baltimore-Washington Parkway.

So it is viewed as cost sharing between the State and the Federal Government.

Senator SASSER. I hope we do not pick up the Washington Post tomorrow and see that sensitive information has been leaked to the press.

Mr. Arndt, I want to thank you very much for appearing here before us this morning. We will have additional questions, perhaps, in writing before the markup.

Mr. ARNDT. Fine. Thank you, Mr. Chairman.

Senator SASSER. Ladies and gentlemen, something most unusual has happened today. The witness for the Defense Medical Facilities Office did not appear. So we can only assume that the Defense Medical Facilities Office does not need any military construction funds for this year in this time of fiscal austerity. We thank them for their generosity.

SUBCOMMITTEE RECESS

That concludes the hearing. The subcommittee will resume at the call of the Chair.

[Whereupon, at 11:12 a.m., Wednesday, April 27, the subcommittee was recessed, to reconvene at the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, MAY 11, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:15 a.m. in closed session, in room SD-124, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding.

Present: Senators Sasser, Reid, and Stevens.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. EDWARD C. ALDRIDGE, JR., SECRETARY OF THE AIR
FORCE

ACCOMPANIED BY:

JAMES F. BOATRIGHT, DEPUTY ASSISTANT SECRETARY OF THE AIR
FORCE (INSTALLATIONS)

MAJ. GEN. GEORGE E. ELLIS, DIRECTOR OF AIR FORCE ENGINEERING
SERVICES

OPENING REMARKS OF SENATOR SASSER

Senator SASSER. The subcommittee will come to order.

At the request of the Air Force, we are going to go into closed session in order to hear a statement by the Honorable Pete Aldridge, the Secretary of the Air Force. I would ask the staff to clear the room of anyone who is not properly cleared.

I am told we are ready to proceed. Mr. Secretary, we welcome you here today, and we look forward to hearing what you have to say.

Mr. ALDRIDGE. Thank you, Mr. Chairman. I am very pleased to be before this committee this morning.

While I am personally here to testify in support of the military construction funds associated with the construction of the space launch complex 7 at Vandenberg AFB, CA, I want to also add my full support to the testimony of Mr. Boatright and Major General Ellis on military construction and family housing initiatives in general.

Senator STEVENS. Mr. Secretary, if I may interrupt you.

Mr. Chairman, may I interrupt? Are all of these people with you, Mr. Secretary? Everybody is with you?

Mr. ALDRIDGE. Well, I am not sure everybody is with me, but apparently they all have been cleared.

Senator STEVENS. OK, thank you.

Thank you, Mr. Chairman.

Senator SASSER. Certainly.

Mr. ALDRIDGE. As the Congress is well aware, this has been a difficult budget year for all of us. It has also been a year in which difficult choices have had to be made about priorities and force structure.

PEOPLE PROGRAMS

There was one area, however, that the choice in priority was very easy, and that choice related to our people and to our people programs. Other than the area of direct pay, compensation, no area is likely to affect the feelings and motivations of our Air Force people more than the facilities we build for them to work in or the housing we provide to maintain an equitable standard of living.

Our Air Force people are the most qualified and most dedicated that we have every had, and I ask that the Congress and this committee do everything in their power to help us maintain this situation. Your support for our Milcon and family housing request will be a major contributor in that regard.

As our plan of action today, I propose that we speak first on the necessity of the Vandenberg Air Force Base space launch complex 7, we call SLC-7. And I will be followed by my experts in other areas, and of course we will all remain to discuss the issues and questions you may have at the conclusion of the presentation.

SPACE LAUNCH COMPLEX 7

Mr. Chairman, if you will permit me, I have a few viewgraphs that I can go through very quickly to talk about space launch complex 7.

[CLERK'S NOTE.—The referenced slides are classified and appear only in the classified transcript.]

[Slide.]

Mr. ALDRIDGE. Would you flip to the next chart, please.

[Slide.]

Mr. ALDRIDGE. As you know, Mr. Chairman, we have had very strong congressional support on the DOD space launch recovery plan. Senator Stevens has been one of the key members of that group who have supported us in our Space Launch Recovery Program underway since the *Challenger* accident in 1986, and we are well on our way to get that recovery program behind us.

We have had to make some changes in 1987 as the result of continued shuttle slips, and we have had a new space launch policy announced by the President in February 1988.

My purpose today is to explain how the Vandenberg launch complex fits in with our recovery plan and the new policy.

[Slide.]

POLICY STATEMENTS

Mr. ALDRIDGE. Two statements of policy, one in February 1987. I want to emphasize the policy focus on unmanned vehicles; they will be the primary launch vehicles for national security payloads and that relates to SLC-7. Also, the President's national space policy, issued on February 11, 1988, makes a point about a mixed launch fleet and states that payloads will be distributed among these launch systems, so that, as a Nation, we do not have the problems that we had in a single access or single string that was associated with shuttle-only policy.

[Slide.]

SHUTTLE ADVANCEMENT SINCE 1986

Mr. ALDRIDGE. The next chart shows where we have come since 1986. We truly have a mix of ways to get to space, using partially shuttle; the residual expendable launch vehicles we currently have in our inventory; the new Titan II, which is the ICBM we are modifying for space launch; the Titan IV, a large booster which will use the SLC-7 facility at Vandenberg; and the Delta II, a new commercial derivative of a space launch vehicle, for launching GPS.

And just last week I announced the winner of the MLV-11 competition, the Atlas II, which is capable of launching our DSCS defense communications satellites at a very inexpensive price.

EAST COAST SHUTTLES

Senator SASSER. Mr. Secretary, let me interrupt you at that point. On your chart, you show shuttle missions beginning in 1989. Are those east coast or west coast shuttles?

Mr. ALDRIDGE. Those will be east coast only.

Senator SASSER. So there are no west coast shuttle shots on there?

Mr. ALDRIDGE. No, sir; at this point in time, Mr. Chairman, it is very important to understand that the shuttle is not capable of launching any Department of Defense payloads from Vandenberg Air Force Base. Its performance is limited to the point where it is no longer west coast capable, and that is why we are putting Vandenberg shuttle launch complex in a mothball status per congressional direction, and we are asking for the space launch complex, SLC-7 facility, for Titan IV.

Next chart, please.

[Slide.]

CURRENT LAUNCH PADS

Mr. ALDRIDGE. This chart shows just the launch pads that we currently have in the space business: the east coast facility with Delta II's, the Titan IV pad at launch complex 40, and at Vandenberg with the Titan II, the Titan III, and the shuttle facility which is being put into a mothball status pending future requirements. And then this hearing's

issue, the Titan IV pad, an additional Titan IV pad, SLC-7, which is needed and must be available at the end of 1994 to meet our launch demands.

[Slide.]

Mr. ALDRIDGE. The Vandenberg launch complex is the second west coast Titan IV capability. It is required to meet the fiscal year 1995 requirements. It will be capable of launching the heavy lift Titan IV Centaur to high altitude inclination orbits.

The reason that is important, Mr. Chairman, when the Centaur was canceled off the shuttle, we had to develop the Centaur capability for the Titan IV. The Titan IV capability at Vandenberg is required to go to high inclination orbits, and there is no pad out there currently available for launching the Titan IV Centaur.

SPACE LAUNCH RESILIENCE

And, of course, we do have problems with space launch resilience. You may recall 2 years ago we damaged a pad at Vandenberg with an explosion of a Titan very close to the ground. If we run into that kind of problem again, we will be grounded for long periods of time. We are looking for additional flexibility to eliminate these single string and single point vulnerabilities.

[Slide.]

TITAN IV MISSION MODEL

Mr. ALDRIDGE. The next chart shows the Titan IV launch mission model. Let me just spend a little bit of time on that. From the east coast, the mission model shows both the Titan IV and Titan IV Centaur. In fiscal year 1990 and fiscal year 1991, we are up to the capacity of our launch pads at the eastern test range at Cape Canaveral Air Force Station.

PAD MODIFICATIONS

We have a proposal to modify an existing pad which we call launch complex 40, and with some funds that would give us an ability to eliminate a bottleneck at Kennedy. That solves the problem for a while, as shown in 1992. That is launch complex 40 that is shown in the IOC.

In fiscal year 1993, we are once again limited in capacity. In fact, in 1994 we exceed the capacity of even those two pads at Cape Canaveral Air Force Station and our one pad at Vandenberg Air Force Base.

In 1995 we are OK again, because we have been able to absorb some of the east coast launches by moving them out to Vandenberg.

The west coast facility at Vandenberg operates at maximum in capacity in 1991 and 1992, [deleted], we again exceed the existing capacity. We are required to have another pad in order to meet that capacity in 1995.

As you see also, we need to fly the Centaur out of the Vandenberg facility. There is no capability at the current pads to fly Centaur. You can see that if we do not have the SLC-7 facility at Vandenberg, our only alternative is to slip the launches.

Mr. Chairman, we cannot afford to do that. We have already been on the ground too long with the delay in the shuttle recovery. [Deleted].
[Slide.]

SLC-7 PROGRAM COSTS

Mr. ALDRIDGE. The next chart shows the cost of the program, where we have put some research and development money in fiscal year 1988 to study this issue. The fiscal year 1989 request that is before this committee is \$25 million. This is not for the construction of the pad itself. It is the beginning of site preparation, for utilities going into the facility, for land grading to prepare the site.

The fiscal year 1990 budget which will come to this committee will be the first year where the construction of the site itself will be requested. All we are asking for this year is to begin the process of building that facility.

But we must do it now in order to meet that 1995 date, which is essential.

Next chart, please.

[Slide.]

Senator STEVENS. Wait a minute. I do not understand that chart. Before you go on, that bottom line, that total is it 25 or 80?

Senator REID. That is what I thought, too.

Colonel MORRELL. Sir, that is in error. This is the summation. Let me show you. The column sums for fiscal year 1989 and fiscal year 1990 should be changed. Fiscal year 1989 is \$25 million; fiscal year 1990 is \$80 million.

Senator SASSER. I want to commend the distinguished ranking member of the subcommittee for paying such close attention, because frankly I did not catch it.

Mr. ALDRIDGE. I have a few scars, because he has paid very close attention before, sir. [Laughter.]

ALTERNATIVES TO SLC-7

The alternatives to SLC-7 are just these two. We can modify the shuttle launch complex, SLC-6, for the Titan IV. That is a very expensive effort for \$440 million, and it would preclude us from ever using the shuttle from the pad again.

That had been suggested and we have considered it as an option. I personally believe that would be a mistake. We have invested over \$3 billion in the facility at SLC-6, which is the shuttle launch complex, and that for the future we should preserve the option to someday have manned flight from Vandenberg Air Force Base.

To go and tear up that facility just after it has been completed seems like a waste of valuable funds.

The other option is to delay SLC-7 for 1 year and that has been proposed. Mr. Chairman, I cannot afford to do that. The satellites that we plan to launch from SLC-7 facility are absolutely essential, and a delay of 1 year is in my view unacceptable to our national security.

Next chart, please.
[Slide.]

PIVOTAL STATUS OF FISCAL 1989

Mr. ALDRIDGE. In summary, fiscal year 1989 is a very pivotal year for our Space Launch Recovery Program. We have funds not only for the SLC-6, SLC-7 facility, but also for the additional Titan IV's, the Atlas II, and the Delta II facility. These will get us back into the space launch business after the terrible accident of the *Challenger* and two Titan failures that we have now, hopefully, recovered from.

And we will be flying again this year as well; 1988 is also a very pivotal year to get us back into space.

Your continued support for our national launch recovery program is very critical to getting us back into space, and we certainly request that you support our request in fiscal year 1989 for the \$25 million to get us started on the SLC-7 program to meet 1995 launch requirements.

Mr. Chairman, that is all I have at this point. I would be glad to respond to any questions.

Senator STEVENS. What was classified, Mr. Secretary?

Mr. ALDRIDGE. The launch rates. We need to keep the launch rates concealed. And if you had any questions about some of the satellite or mission specifics, we would want to have that in the closed record.

Senator REID. Mr. Chairman.

Senator SASSER. Yes, Senator Reid.

FUEL EXPLOSION IN NEVADA

Senator REID. I think, for the information of the committee, in that we are in this closed session, we should get into some of the things that are really classified. The Secretary and I mentioned just briefly some of the problems that this country faces as a result of the explosion that happened 1 week ago today in Nevada.

General Moorman, Secretary Aldridge had him come in and brief me earlier this week, and we literally are in deep trouble in this country because we have no producer at this time of ammonium perchlorate. Both our two producers were located in Henderson, NV, which is a suburb of Las Vegas of about 10 miles.

The one was blown up and the other voluntarily shut down. As I was indicating to the Secretary, this area has become heavily populated and there is really going to be some difficulty in reopening the one.

And as the Secretary mentioned, we have no choice. It has to be reopened. But I think this committee and the rest of the Congress should know of the great peril in which this places the country with the problems that have developed as a result of that explosion.

We literally have no other producers of this product. And as the Secretary mentioned, not only is our space program in jeopardy, but our defense capabilities, because all of our rockets, with rare exception, use this product to get them into the air.

Senator SASSER. That is dismal news indeed, Senator Reid.

Would you care to comment on that, Mr. Secretary?

Mr. ALDRIDGE. Yes, sir; let me give you a little background. There are two major producers of what is called ammonium perchlorate, which is the oxidizer in the solid fuel rockets.

Senator STEVENS. This is classified now, is it? What is classified? I like to keep things separately in my brain if I could. What is classified here?

Mr. ALDRIDGE. The issue of the ammonium perchlorate is not classified.

Senator REID. The issue of the shortage is?

Mr. ALDRIDGE. The shortage is probably—it is hard to say it is classified but it is clear we have a shortage. Why we have a shortage, how much we are producing, and how critical that is, is probably classified because it indicates a vulnerability that we have.

AMMONIUM PERCHLORATE PRODUCTION

The ammonium perchlorate, again, is the oxidizer. These two facilities produce about 80 percent of all that is used in the United States, in the shuttle, in the Titan IV, in the Titan 34D, the Peacekeeper ICBM—and I believe they use it in the Navy's Trident program, the Tomahawk, sub-launched ballistic missile, sub-launched cruise missile, programs like this.

Eighty percent of the total ammonium perchlorate is produced by two facilities, Kerr-McGee, which is also in Nevada, and Pacific Engineering, which is the company which was destroyed.

They each produce about one-half of that 80 percent. Each produces about one-half. Right now we do not have enough ammonium perchlorate in storage anywhere that goes beyond about the fourth shuttle mission or beyond the third Titan IV mission that I showed you earlier as very critical.

We are going to have to begin producing ammonium perchlorate at the fastest possible rate. We will begin to build up production capability so that we can begin producing fuel for solid rocket motors again.

We cannot afford to sit around and wait for the bureaucracy to catch up, so to speak, to get these facilities back on line.

Kerr-McGee is not producing today. There are concerns about whether or not the investigation will have safety implications relevant to Kerr-McGee. They are being very cautious about reopening their plant, based upon a fear of legal ramifications against their company.

They are worried at this point in time. We must get them back on line and in production. At least then we can get 50 percent of the needed materials. And we must get on with rebuilding the Pacific Engineering plant and get it producing again.

I have talked to the vice president at Pacific Engineering and he believes he can get started again if he can get funds. He thinks he will be back on line within about 6 months from the day that he gets agreement to start up again.

We certainly believe we need to do that, and we are working with the people out there as best we can within the constraints of Government participation to try to get this problem solved and get them back into the business again, sir.

Senator SASSER. Thank you, Mr. Secretary.

TITAN IV SLC-7 PROJECT

As you know, the Titan IV SLC-7 project is not authorized, but we are pleased to have your views on it this morning. And I fully support the Air Force's efforts to get back into space.

We support the Titan IV, but we are concerned, in this subcommittee, with the very limited resources that we have, as you know.

I was out at Vandenberg I think 2 years ago and was privileged to have an in-depth briefing out there, and I know of our problem with getting satellites into space. I know that this whole problem has reached a critical proportion.

We have been briefed that \$250 million could be saved from this project if we did not have to build a new pad, but reconfigured the shuttle pad. What is your reaction to that?

Mr. ALDRIDGE. Sir, that was based upon an estimate. We had gone to the contractors who had built the existing pads and asked them for an estimate of what it would take to build a new pad.

The original estimate came back in excess of \$700 million of construction, plus the equipment that would go along with the pad. That was under the conditions that the contractor was going to build this pad under a sole source environment.

We have revised our acquisition strategy and have made some estimates of what we believe we could save under a competitive environment to compete this pad within the industry which is capable of building it. The price has dropped from over \$700 million to probably somewhat over \$500 million.

Again, that is for the construction as well as the equipment that would go along with the pad, the procurement for that. So the results are that the cost difference of modifying the SLC-6, the shuttle pad, which is about \$440 million, versus the cost of building a new pad, SLC-7, is about \$550 million.

So it still would be about \$100 million more expensive to build SLC-7. However, I think the policy implications of using SLC-6 are very far-reaching. That means that we would no longer have the ability to go into SLC-6 ever again to launch the shuttle, unless we reconfigured the pad back to its original state in which case, we would then need SLC-7 again.

WEST COAST LAUNCH

Senator SASSER. Do we ever anticipate launching a shuttle from the west coast?

Mr. ALDRIDGE. Yes, sir; there are mission plans for polar orbits with the space station, and if NASA can get shuttle performance back to its

original value, there are possibilities of using it for manned space flights from the west coast.

And that will require the \$3 billion facility that we built for that purpose.

Senator SASSER. Senator Stevens, do you have any further questions?

PROGRAM DEFERRAL

Senator STEVENS. Why has this been deferred by the House and Senate authorizing committees?

Mr. ALDRIDGE. Senator Stevens, I can only answer that by saying that they have made a mistake in their analysis.

Senator STEVENS. Can you allocate a portion of that money that we transferred to the space recovery in the bill in 1986 for this purpose? Is there any residual authorized money that we could fund it without this current year's authorization?

Mr. ALDRIDGE. No, sir.

Senator STEVENS. Is there any money that you can reprogram to cover this? If not, you could make the case that you ought to start 1 year earlier, actually.

Mr. ALDRIDGE. Yes, sir; we are 1 year behind already.

Senator STEVENS. OK. Is there any chance to reprogram and pick it up for 1988, so that you could commit the money in 1988?

Mr. ALDRIDGE. Sir, all of our money in fiscal year 1988, as you know, every dollar we have been able to find for reprogramming, has been reallocated to the "Operation and maintenance" account in the Air Force. This is all a result of the cuts and the furloughs, and the dollar fluctuation, and health cost increases.

And we are trying to avoid having to furlough people or cut our flying hour program. And every dollar we have in fiscal year 1988 that we have available for a reprogramming has been requested to be reprogrammed in the "Operation and maintenance" account.

We have gone through every nickel that I have, sir, in fiscal year 1988. We are 1 year late with SLC-7, and we felt that this fiscal year 1989 program is really what we need.

EXCESS SHUTTLE CAPACITY

The analysis that was done by the Senate Armed Services Committee staff which deferred this was based upon a statement that said we could use the excess shuttle capacity to launch some of the satellites and, therefore, we could delay for 1 year.

Sir, I do not know of any excess shuttle capacity. There are 24 satellites sitting on the ground today waiting to fly. If we could use the shuttle, we would use it. But the shuttle launch rate is just not going to provide any excess capacity for the next 5 or 6 years.

FUNDING FOR CRITICAL LAUNCHES

Senator STEVENS. Mr. Secretary, I am not going to prolong this. I do not understand the defense policy any longer, when we have proven that we have \$1 billion more in cost in current deployments overseas than we anticipated in December of last year, and yet cannot find \$25 million for initiation of this adjustment in these critical launches.

Until we get a hold of these overseas costs, this is going to get worse rather than better. I do not know how we can find this money. We are asked to reallocate \$4 billion to meet costs that are primarily associated with overseas costs. At least \$1 billion of it is in the O&M account to meet increased exchange rate costs, the exchange of dollar to yen and dollars to marks.

And that is eating our lunch.

Mr. ALDRIDGE. Yes, sir; it is.

Senator STEVENS. Unless the Department can do something, I do not know where we are going to find this money. This really pains me, Mr. Chairman. We have got to find that money.

I would like to get you back on schedule, because I think we know almost what you know about the critical nature of those satellites. They have got to get up there. I do not know whether we should go out and have that fight. That is what I am really asking, Mr. Chairman, whether we should go out and have a fight with the authorization committee and get this authorization back there in that bill.

Do you have someone who is going to do that for you for the authorizing committee?

Mr. ALDRIDGE. Sir, we are fighting, if nothing more, to get it in the conference, the authorization conference. And so far we have been successful with the House Armed Services. What we are asking for is fiscal year 1989. The \$25 million is fiscal year 1989, not fiscal year 1988.

We have already accepted the fact that we are 1 year behind.

Senator STEVENS. But I saw \$25 million in that column for 1988.

Mr. ALDRIDGE. Yes, sir; that is in R&D. That is already covered. It is fiscal 1989 that we have to get the authorization for.

I normally do not go and testify for \$25 million. I understand that. But this is so critical. I cannot overemphasize how important it is to get this program underway.

Senator STEVENS. I think it should get underway this year.

Mr. ALDRIDGE. It should have been, sir. But we have just gone to the end of our rope in terms of getting the funds identified.

Senator SASSER. Senator Reid?

Senator REID. I have no questions.

Senator SASSER. All right, we will return now to open session and the door will be opened.

[Whereupon, at 10:40 a.m., the subcommittee proceeded in open session.]

(OPEN SESSION, 10:40 A.M., WEDNESDAY, MAY 11, 1988)

Present: Senators Sasser, Reid, Specter, and Stevens.

BUDGET REQUEST

Senator SASSER. The subcommittee will come to order now in open session.

Today the subcommittee concludes its hearings on the fiscal year 1989 budget request. It is our intention to proceed as rapidly as possible toward markup of the bill this year. The House Appropriations Subcommittee has already marked up its version of the bill, and we hope to proceed no later than June 14.

Today we will hear from witnesses from the Department of the Air Force and from the Defense Medical Affairs Office. We already have, I think, our witnesses here from the Air Force. The request before us today from Air Force military construction and family housing is for \$2,223,000,000.

I will turn to Senator Stevens, the ranking member, to see if he has any opening comment or opening statement here for our open session.

Senator STEVENS. I have nothing, Mr. Chairman. Thank you.

Senator SASSER. Senator Reid, do you have an opening statement or opening comments this morning?

Senator REID. Mr. Chairman, I do, but what I would like to do is ask the permission of the chairman to submit it for the record. Senator Byrd has asked that I preside at 11 a.m., so in addition to submitting my statement I would like to submit to the Air Force questions that I have to Mr. Boatright and also, if Mr. Dowery is going to be here today, to him as well.

I would like to submit my questions to them, and if they could respond to the committee and to me in writing, that would be appreciated.

With the consent of the chairman, that is what I would ask.

Senator SASSER. Without objection, it is so ordered.

INTRODUCTION OF WITNESS

Mr. Secretary, we want to welcome you here today. We are pleased that you would see fit to appear and testify here in person today. The committee notes that you are the only Secretary who has come up to testify on their budget. I might say that certainly attracts our attention and piques our interest to a great extent.

You may proceed as you wish.

Mr. ALDRIDGE. Thank you, Mr. Chairman. It is a pleasure to be here. We do strongly support the Military Construction and Family Housing Program in the Air Force.

I have no opening statement. I would like just to turn it over to Mr. Boatright, who has a short statement, and then to General Ellis, who I believe also has a short statement.

STATEMENT OF JAMES F. BOATRIGHT

Mr. BOATRIGHT. Mr. Chairman, I want to begin by expressing our appreciation to you and all the members of this subcommittee for your continuing interest in and your strong support of the Air Force military construction program in the past and in particular for your support of our military family housing initiatives.

We need your strong support this year more than ever because of the severe budget constraints we face.

BUDGET REQUEST

The total Air Force request for fiscal year 1989 construction is \$2.2 billion. The request is \$203 million less than last year's request and \$473 million less than last year's appropriation submittal for fiscal year 1989.

Mr. Chairman, I think it should be noted that this is the sixth consecutive year in which the Air Force request has been reduced from the previous year. This year our request consists of \$1.3 billion for military construction, down from \$1.5 billion last year, and \$923 million for military family housing versus \$926 million last year.

Our fiscal year 1989 request has been thoroughly reviewed and restructured within the current budget constraints. Quite frankly, it is much lower than we would like, but it is the best we could do under the circumstances.

We, therefore, ask that you give full consideration to the reduced nature of our request in your review and approval deliberations.

Now I would like to briefly address two points of special importance to the Air Force that I want to emphasize to this subcommittee.

MILITARY FAMILY HOUSING IMPROVEMENT PROGRAM

Our No. 1 facility priority in fiscal year 1989, as it was last year, is our Military Family Housing Improvement Program. The Air Force has 142,000 military family housing units in the inventory today, with an average age of 30 years. Of these, 80,000 units need revitalization immediately.

WHOLE HOUSE IMPROVEMENT PROGRAM

We call our program to accomplish this the Whole House Improvement Program, which includes both repairs and making improvements to upgrade the units to current standards.

The reason this program has first priority with the Air Force is it is important to retention. There is a direct correlation between adequate housing and retention. A high retention rate, as you know, produces major costs savings.

The problem is that it takes too many years to accomplish this housing revitalization at the present funding level. Last year we requested \$154 million for this purpose, and the subcommittee approved \$130 million, which was reduced to \$119 million in conference.

This year we are requesting virtually the same amount. This would pay for revitalization of some 4,000 units. Even at this rate, it would take us over 20 years to finish the 80,000 units that need to be revitalized now. During the 20-year cycle, other units will deteriorate to the extent that we would never catch up at the present funding level.

For these reasons, we are asking the subcommittee to give its fullest support to this important facility program by approving our request without any reductions. This request will make optimum use of tax dollars not only because of the retention benefits that will result but also because it makes good economic sense. Revitalization is much cheaper than new construction. It extends the life of existing housing units by some 20 years.

Our objective is to get your support for funding levels that will allow us to replace and/or revitalize our housing inventory in a reasonable period. To this end, the Air Force will be asking the subcommittee for even higher funding levels in this account in the future. The amount of these increases will be largely dependent on the kind of support and encouragement we get from the congressional oversight committees.

REVITALIZATION OF PHYSICAL PLANT

My second point of special emphasis concerns the vital importance of revitalizing the balance of the Air Force physical plant through either modernization or replacement over a reasonable period.

Simply stated, we must find a way to stabilize a funding stream to revitalize the physical plant. General Ellis will describe our initiative in this regard in his statement.

I will conclude by saying a prudent, orderly revitalization of our total physical plant is extremely important to both the Air Force and the taxpayer. I appreciate this opportunity, Mr. Chairman.

Senator SASSER. Thank you, Mr. Boatright.

General Ellis.

STATEMENT OF MAJ. GEN. GEORGE E. ELLIS

General ELLIS. Thank you, Mr. Chairman. I would like to affirm my support for the points made by the Secretary and Mr. Boatright concerning the high priority we place on the Military Family Housing Improvement Program and revitalization of our existing physical plant.

I join Mr. Boatright in thanking this committee for its support of the Air Force military construction and family housing programs and welcome the opportunity to present our fiscal year 1989 program.

NEW AND CURRENT MISSIONS

The Air Force separates its military construction program into two distinct parts called new mission and current mission.

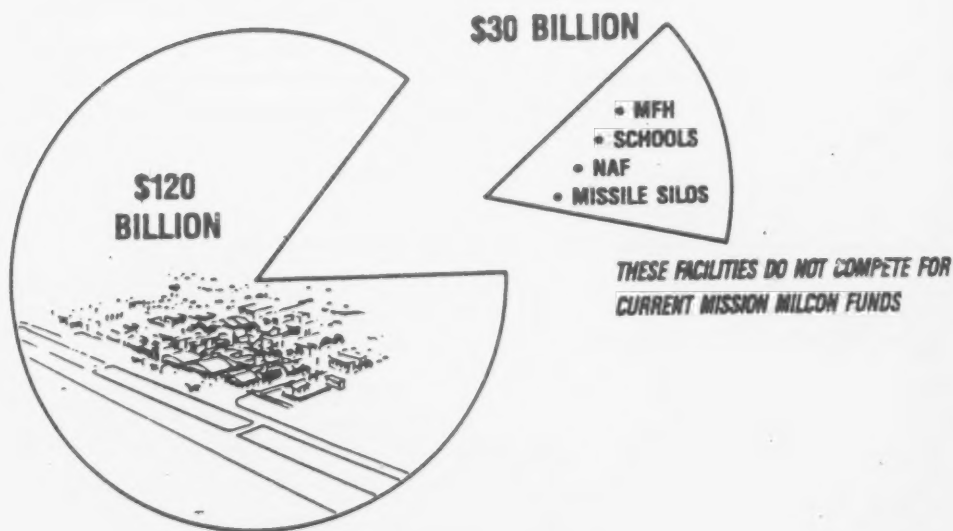
The budget levels for new mission requirements are sized to provide facilities which support deployments of weapons systems. The funding for this part of our military construction program is essential to carrying out our wartime fighting mission. It is literally the must-pay share of the military construction program. New mission projects constitute about 53 percent of this year's military construction request at about \$686 million.

Poor facilities reduce the effectiveness of our forces and adversely affect morale and retention of our people. Part two of our program, therefore, is intended to care for these needs. Unfortunately, continuing budget constraints are pushing us further away from meeting a modest goal of revitalizing our existing facilities over a 50-year replacement cycle.

The American taxpayer has provided the Air Force with a physical plant of over \$120 billion. On average, that plant is now over 30 years old.

If I might ask for your indulgence, I would like to show a couple of slides that would make this point.

Plant Replacement Value



BUDGET CATEGORIES

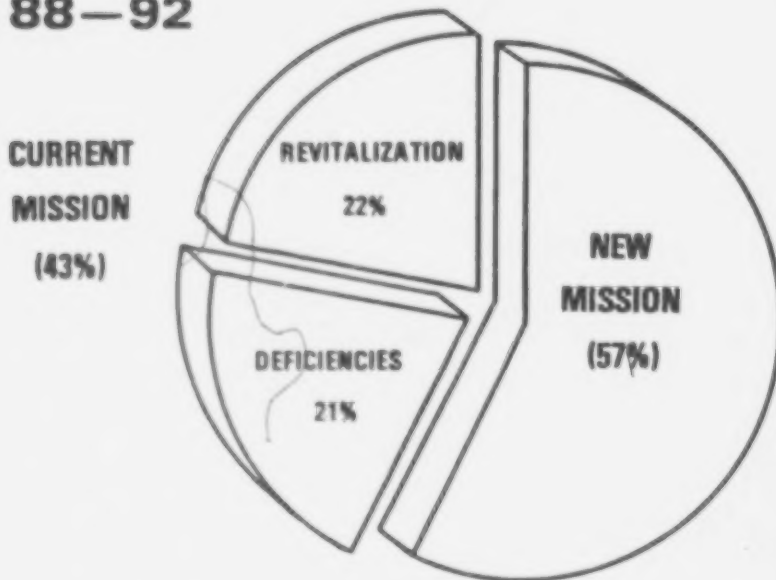
The entire Air Force inventory is closer to \$150 to \$160 billion, but there are several categories that do not compete for military construction. So of our total plants that compete for military construction, we

have 120 billion dollars' worth of assets. That is the cost it would take to replace them today.

Next slide, please.

Types of MILCON

FY 88-92



MISSION PROGRAMS

The military construction program, as I discussed, is broken up into parts. New mission is that part which we must pay. It follows and tracks the weapons systems development and deployment that we have in the Air Force.

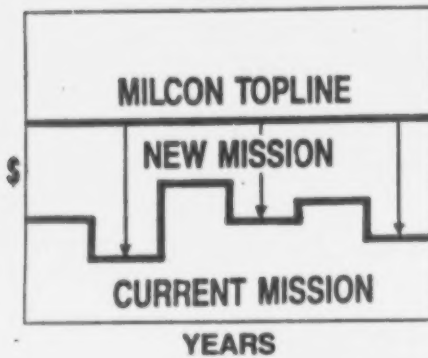
There are two parts of the military construction program under current mission. One part is the revitalization of the existing plant; it needs fixing, and it needs replacement.

The second part is deficiencies; that is, that part of the plant that we do not have that we need to support the existing missions.

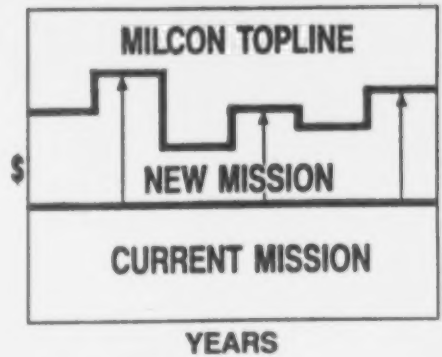
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CURRENT MISSION MILCON INVESTMENT STRATEGY

OLD



NEW



PROVIDE A STEADY STREAM OF FUNDING TO

- REVITALIZE THE PHYSICAL PLANT
- BUY DOWN THE BACKLOG
- ALLOW BETTER PLANNING
- SAVE DESIGN DOLLARS

MISSION CAP

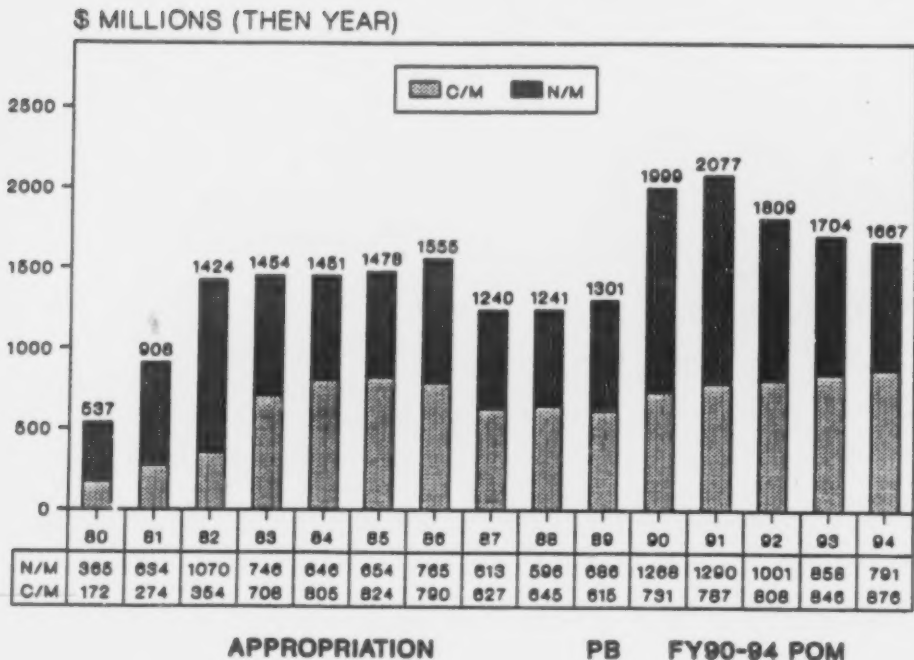
What has been occurring is what is on the left; that is, there has been a real or perceived cap on the military construction package. Given that cap, what happens is the current mission or the taking care of the existing plant fluctuates as the new mission accounts fluctuate. It creates great turbulence in our ability to plan and execute the military construction program.

What we are asking for and you will see is part of the 1989, 1990, and 1991 program is a new mission account that floats on top of a current mission account that is static. That represents a long-term commitment to taking care of what we now own.

Next slide, please.

MILCON -- ACTIVE

AS OF FY 90-94 POM

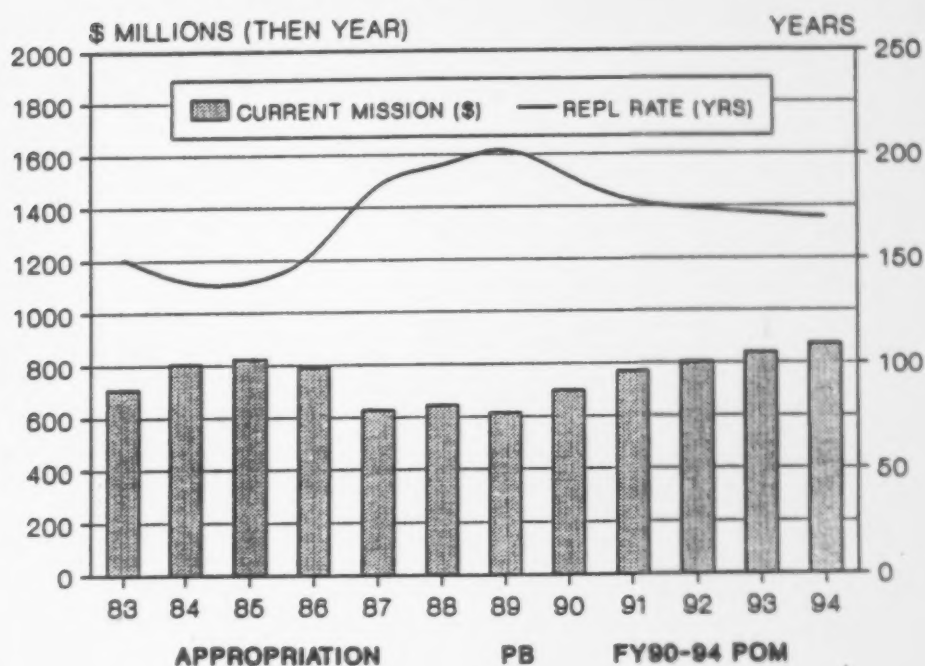


PERCEIVED CAP

The interesting part is that there has been a perceived cap at \$1.3 billion. As you can see in 1990, there is a great jump. We have been calling that a 9G pull into the military construction program. That is worrisome, because if the cap is in effect what we are working with, what we perceive to be the Congress' desires, then what happens to us is that the current mission account, that on the bottom, the gold color, then becomes affected.

Next slide, please.

FACILITY REPLACEMENT RATE AS A FUNCTION OF CM MILCON INVESTMENT

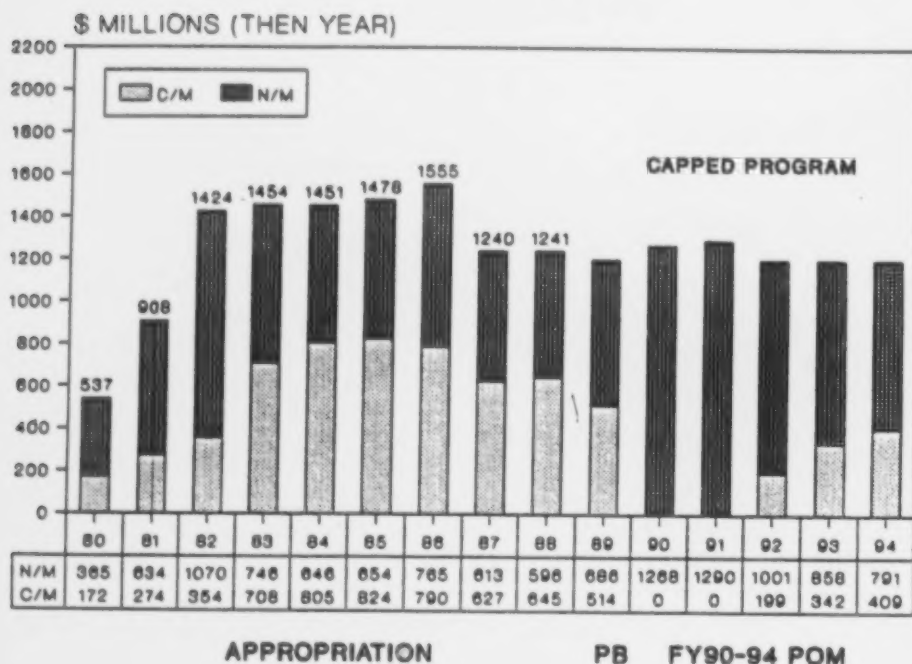


Let me say something else before I show you the next chart. Our objective is to replace our plant, our existing plant, every 50 years. With the current levels of the current mission replacement, we are now pushing 175 to 200 years.

Mr. Chairman, 50 years may be the wrong number but 150 to 200 years is obviously the wrong number. We need to understand that we are literally eating the shingles off the roof of some of our facilities in order to move through these fiscal and budget constraints.

Next slide, please.

EFFECT OF \$1.2B MILCON CAP AS OF FY 90-94 POM



So if we are not careful, what happens is that the new mission account in 1990 which is following new weapons systems development is about \$1.3 billion plus. Given the cap, that would mean that the amount of dollars available for our current mission accounts goes to zero.

My argument, sir, is that we cannot stand that.

If I might continue, sir, in fiscal year 1988 the Congress sent a signal to those who formulate the size of the military construction program. During the early to mid 1980's we were receiving about \$1.5 billion each year for the military construction program. Funding levels took a downturn beginning in 1987 when our program was reduced to \$1.2 billion.

We believe that the reduction was temporary. Unfortunately, the fiscal year 1988 funding remained about at the same level. Some of our leaders in the Defense Department believe that you would cap the Air Force program at or below \$1.3 billion.

Now, let me describe to you if I might what this does to our program. Since new mission and other must-pay projects are funded first, the funding cap results in turbulence in the current mission portion of our program. If the total military construction program is limited to \$1.3 billion and this year's new mission requirement is \$700 million, we have about \$600 million left to revitalize our existing physical plant and satisfy our facility deficits.

That sum is less than that which was appropriated in fiscal year 1988. Funding of the \$614 million falls short of satisfying our most critical needs.

Mr. Chairman, with that I will submit the rest of my statement for the record.

[The statement follows:]

JOINT PREPARED STATEMENT

JAMES F. BOATRIGHT
ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS)
MAJ. GEN. GEORGE E. ELLIS
DIRECTOR OF AIR FORCE ENGINEERING SERVICES

INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM JAMES F. BOATRIGHT, DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS. I HAVE WITH ME THIS MORNING MAJOR GENERAL JUD ELLIS, DIRECTOR OF ENGINEERING AND SERVICES, UNITED STATES AIR FORCE. IT IS A PLEASURE FOR US TO APPEAR BEFORE YOUR COMMITTEE TO PRESENT THE AIR FORCE'S MILITARY CONSTRUCTION REQUEST FOR FISCAL YEAR 1989.

OVERVIEW

I WOULD LIKE TO THANK THIS COMMITTEE FOR ITS CONTINUING SUPPORT OF THE AIR FORCE'S MILITARY CONSTRUCTION PROGRAM. WE ARE COMPLETING THE NECESSARY CONSTRUCTION TO SUPPORT SEVERAL NATIONAL PROGRAMS, AND WE ARE IMPROVING THE WORKING AND LIVING CONDITIONS OF OUR AIR FORCE PEOPLE.

OUR APPROPRIATIONS REQUEST FOR MILITARY CONSTRUCTION AND FAMILY HOUSING IN FISCAL YEAR 1989 IS \$2.224 BILLION. THIS REQUEST IS \$203 MILLION LESS THAN OUR FISCAL YEAR 1988 REQUEST, A REQUEST THAT REPRESENTS A DECREASE FOR THE SIXTH CONSECUTIVE YEAR. FURTHERMORE, THIS AMENDED FISCAL YEAR 1989 REQUEST IS \$473 MILLION LESS THAN LAST YEAR'S TWO-YEAR APPROPRIATIONS SUBMITTAL FOR FISCAL 1989. THE MILITARY

CONSTRUCTION PART OF OUR FISCAL YEAR 1989 REQUEST IS \$1.301 BILLION AND THE MILITARY FAMILY HOUSING PART IS \$923 MILLION.

NEW MISSION MILCON

THE AIR FORCE SEPARATES ITS MILITARY CONSTRUCTION PROGRAM INTO TWO DISTINCT PARTS CALLED NEW MISSION AND CURRENT MISSION. THE BUDGET LEVELS FOR NEW MISSION REQUIREMENTS ARE SIZED TO PROVIDE FACILITIES WHICH SUPPORT DEPLOYMENTS OF WEAPONS SYSTEMS PROGRAMS SUCH AS THE B-1, B-2, PEACEKEEPER, AND SPECIAL OPERATIONS. PROJECTS WHICH CONTRIBUTE TO FORCE PROJECTION SUCH AS MISSION RELATED PROJECTS AT CLARK AIR BASE, OUR KOREAN BASES, AND SOUTHWEST ASIA ARE ALSO INCLUDED. MILITARY CONSTRUCTION PROJECTS SUPPORTING THE UNITED STATES SPACE PROGRAM AND THE NATIONAL LABORATORIES AT ARNOLD ENGINEERING AND DEVELOPMENT CENTER ARE ALSO NEW MISSION PROJECTS. THE FUNDING FOR THIS PART OF OUR MILITARY CONSTRUCTION PROGRAM IS ESSENTIAL TO CARRYING OUT OUR WARFIGHTING MISSION. IT IS LITERALLY THE "MUST PAY" SHARE OF THE MILITARY CONSTRUCTION PROGRAM. NEW MISSION PROJECTS CONSTITUTE 53 PERCENT OF THIS YEAR'S MILITARY CONSTRUCTION REQUEST AT \$686 MILLION.

PEACEKEEPER - RAIL GARRISON

IN APRIL 1983, PARTIALLY FULFILLING THE NEED TO MODERNIZE OUR ICBM FORCES, THE PRESIDENT ANNOUNCED THE DEPLOYMENT OF PEACEKEEPER MISSILES IN EXISTING MINUTEMAN SILOS. BASED ON THE FUNDING WE HAVE RECEIVED FROM THE CONGRESS, WE HAVE ESSENTIALLY COMPLETED OUR FACILITY NEEDS FOR DEPLOYMENT IN MINUTEMAN SILOS. IN DECEMBER 1986, THE PRESIDENT ANNOUNCED THE DEVELOPMENT OF THE RAIL GARRISON SYSTEM FOR THE SECOND 50 PEACEKEEPER MISSILES. RAIL GARRISON PLACES MISSILES ON RAILCARS WHICH ARE KEPT ON ACTIVE AIR FORCE BASES IN PEACETIME. THE MISSILES WOULD DEPLOY OVER THE NATIONAL RAIL NETWORK DURING TIMES OF NATIONAL NEED.

FOR FISCAL YEAR 1989 WE ARE REQUESTING \$31.2 MILLION FOR PROJECTS AT F.E. WARREN AIR FORCE BASE, WYOMING, AND \$13.2 MILLION FOR FACILITY DESIGN. THIS REQUEST WILL RESERVE THE OPTION TO ACHIEVE AN INITIAL OPERATING CAPABILITY BY DECEMBER 1991 SHOULD THE CONGRESS AUTHORIZE DEPLOYMENT. IF THE CONGRESS AGREES TO THE RAIL GARRISON MODE OF DEPLOYMENT FOR THE SECOND 50 PEACEKEEPER MISSILES, ADDITIONAL FACILITIES WILL BE REQUIRED AT LOCATIONS YET TO BE ANNOUNCED.

B-2 BOMBER

THE B-2, PREVIOUSLY REFERRED TO AS THE ADVANCED TECHNOLOGY BOMBER WAS ANNOUNCED BY THE PRESIDENT AS PART OF THE STRATEGIC MODERNIZATION PROGRAM. THE INITIAL OPERATIONAL CAPABILITY OF THE AIRCRAFT IS EXPECTED IN THE EARLY 1990s.

THE AIRCRAFT IS DESIGNED TO HAVE SUPERIOR SURVIVABILITY BECAUSE OF "LOW OBSERVABLE" STEALTH TECHNOLOGIES. IT HAS VERY GOOD RANGE AND IS CAPABLE OF CARRYING BOTH NUCLEAR AND CONVENTIONAL WEAPONS. STEALTH TECHNOLOGY WILL ALLOW THE B-2 TO PENETRATE SOVIET DEFENSES INTO THE 21ST CENTURY.

IN JANUARY 1987, WHITEMAN AIR FORCE BASE, MISSOURI WAS ANNOUNCED AS THE FIRST OPERATIONAL LOCATION. THE CONGRESS APPROPRIATED \$84.8 MILLION IN FISCAL YEAR 1988. FOR FISCAL YEAR 1989 WE ARE REQUESTING APPROPRIATIONS OF \$79.5 MILLION FOR THE SECOND PHASE OF THE BEDDOWN. CONSTRUCTION AT WHITEMAN AIR FORCE BASE WILL CONTINUE INTO THE EARLY 1990s ALONG WITH PROJECTS AT OTHER B-2 BASES WHICH ARE NOW BEING EVALUATED.

KC-135R REBASING BEDDOWN

KC-135 AIRCRAFT ARE REQUIRED TO AIR REFUEL STRATEGIC AIRLIFT AND COMBAT AIRCRAFT. THE INTRODUCTION OF THE B-1B AND B-2 BOMBERS REQUIRES THE REBASING OF KC-135 AIRCRAFT. THE INTRODUCTION OF THE RE-ENGINEED KC-135R AIRCRAFT AT MALMSTROM AIR FORCE BASE, MONTANA, REQUIRES CONSTRUCTION OF BASE INFRASTRUCTURE AND FLIGHTLINE FACILITIES.

IN FISCAL YEAR 1987 THE CONGRESS APPROVED \$30 MILLION FOR CONSTRUCTION TO SUPPORT THE BEDDOWN OF 16 KC-135R AIRCRAFT AT MALMSTROM AIR FORCE BASE. FOR FISCAL YEAR 1988, THE CONGRESS PROVIDED \$15.3 MILLION FOR CONSTRUCTION OF ADDITIONAL SUPPORT FACILITIES. OUR REQUEST FOR FISCAL YEAR 1989 IS FOR \$10.9 MILLION AT MALMSTROM AIR FORCE BASE AND \$8.5 MILLION FOR SUPPORT CONSTRUCTION AT A CLASSIFIED LOCATION.

ARNOLD ENGINEERING AND DEVELOPMENT CENTER

THE ARNOLD ENGINEERING AND DEVELOPMENT CENTER IS LOCATED AT ARNOLD AIR FORCE BASE, TULLAHOMA, TENNESSEE. FOR FISCAL YEAR 1989 THERE ARE TWO PROJECTS TOTALLING \$73 MILLION THAT SUPPORT THE NATIONAL LABORATORY PROGRAM. A THIRD PROJECT FOR \$7.8 MILLION REVITALIZES THE INSTALLATION'S STEAM PLANT.

LARGE ROCKET TEST FACILITY (J-6)

ARNOLD AIR FORCE BASE HAS THE ONLY NATIONAL CAPABILITY FOR TESTING ROCKET ENGINES AT ALTITUDES. THE EXISTING MAJOR ROCKET MOTORS TEST CELLS CALLED J-4 AND J-5 CANNOT SAFELY TEST LARGE, DETONATABLE, SOLID-ROCKET MOTORS. THE J-4 IS A LIQUID FUEL FACILITY THAT HAS BEEN MODIFIED FOR SOLID PROPELLENT TESTING. THE J-5 FACILITY IS A SOLID PROPELLENT TEST CELL THAT IS LIMITED TO 150,000 POUNDS OF THRUST. NEWER ROCKET MOTORS FOR SYSTEMS SUCH AS PEACEKEEPER REQUIRE THRUST CAPABILITIES UP TO 350,000 POUNDS. FUTURE GENERATIONS OF MOTORS WILL REQUIRE TESTING AT HIGHER THRUSTS. THIS PROPOSED TEST FACILITY IS DESIGNED TO HANDLE UP TO 500,000 POUNDS OF THRUST AND 100,000 FEET OF ALTITUDE. FOR FISCAL YEAR 1989 WE ARE REQUESTING AUTHORIZATION OF THE TOTAL PROJECT IN THE AMOUNT OF \$183 MILLION BUT APPROPRIATIONS OF ONLY \$50 MILLION TO BEGIN THE PROGRAM WHICH STRETCHES OVER THREE YEARS. APPROPRIATIONS FOR THE BALANCE OF \$133 MILLION WILL BE REQUESTED OVER THE NEXT 2 YEARS.

INDEPENDENT WIND TUNNEL DRIVE SYSTEM

THE MAJOR WIND TUNNELS FOR THE NATIONAL LABORATORY PROGRAM ARE ALSO LOCATED AT ARNOLD AIR FORCE BASE. THREE OF THE TUNNELS ARE POWERED BY THE SAME AIR DRIVE SYSTEM. THE PROJECT PROVIDES CAPABILITY FOR THE THIRD WIND TUNNEL WHICH PRESENTLY CAN ONLY BE OPERATED WHEN THE OTHER TWO ARE NOT BEING USED. THE HEAVY TEST SCHEDULES FOR THE WIND TUNNELS HAS SATURATED THE CAPABILITY OF ANY SINGLE TUNNEL. FOR FISCAL YEAR 1989 WE ARE REQUESTING APPROPRIATIONS OF \$23 MILLION FOR A DRIVE SYSTEM THAT ALLOWS USE OF THE THIRD TUNNEL WITH ONE OF THE OTHER TWO.

TITAN IV LAUNCH FACILITIES

OUR CURRENT TITAN IV CAPABILITY ON THE WEST COAST IS ONE LAUNCH PAD CALLED SPACE LAUNCH COMPLEX 4 EAST (SLC-4E) AT VANDENBERG AIR FORCE BASE, CALIFORNIA. PRIOR TO THE SUMMER OF 1986, WHEN AN ACCIDENT DESTROYED SPACE LAUNCH COMPLEX 4 WEST (SLC-4W), THERE WERE TWO PADS AT VANDENBERG AIR FORCE BASE CAPABLE OF LAUNCHING THE TITAN IV, NEITHER OF THE LAUNCH PADS HAD THE ABILITY TO ACCOMMODATE THE CENTAUR UPPER STAGE OF THE TITAN.

OUR FISCAL YEAR 1989 APPROPRIATIONS REQUEST INCLUDES \$25 MILLION FOR THE INITIAL PHASE OF A NEW LAUNCH COMPLEX TO PROVIDE TITAN IV LAUNCH CAPABILITY, INCLUDING THE CENTAUR UPPER STAGE. OUR MILITARY CONSTRUCTION REQUIREMENTS OVER THE NEXT FEW YEARS ARE ESTIMATED AT ABOUT \$107 MILLION.

U.S. TRANSPORTATION COMMAND (USTRANSCOM)

THE PRESIDENT ESTABLISHED THE UNITED STATES TRANSPORTATION COMMAND IN APRIL 1987 AT SCOTT AIR FORCE BASE, ILLINOIS. USTRANSCOM PROVIDES GLOBAL AIR, SEA, AND LAND TRANSPORTATION MANAGEMENT TO MEET NATIONAL SECURITY OBJECTIVES. IT IS COMPRISED OF THREE MILITARY COMPONENTS - AIR FORCE'S MILITARY AIRLIFT COMMAND (MAC), NAVY'S MILITARY SEALIFT COMMAND (MSC),

AND THE ARMY'S MILITARY TRAFFIC MANAGEMENT COMMAND (MTMC).

THE ESTABLISHMENT OF USTRANSCOM WILL ADD APPROXIMATELY 500 PERSONNEL TO SCOTT AIR FORCE BASE. THE BEDDOWN FORCES WILL BE HOUSED IN THREE DISPERSED AND TEMPORARY FACILITIES THAT ARE INADEQUATE TO MEET THE CRITICAL OPERATIONAL FUNCTIONS OF USTRANSCOM. THIS NEW UNITED STATES COMMAND IS HEAVILY DEPENDENT ON DATA AUTOMATION SUPPORT. IN FISCAL YEAR 1989 WE ARE REQUESTING APPROPRIATIONS OF \$12.8 MILLION FOR THE CONSTRUCTION OF THE OPERATIONS HEADQUARTERS FACILITY AT SCOTT AIR FORCE BASE.

SPECIAL OPERATIONS FORCES

THE SPECIAL OPERATIONS FORCES SUPPORT THE REQUIREMENTS OF THE UNIFIED COMMANDS IN SUCH AREAS AS CONVENTIONAL AND UNCONVENTIONAL WARFARE, CRISIS RESPONSE, AND COUNTERTERRORISM.

THE FISCAL YEAR 1989 APPROPRIATIONS REQUEST FOR SPECIAL OPERATIONS FACILITY REQUIREMENTS TOTAL \$27.1 MILLION, OF WHICH \$20.1 MILLION IS FOR EGLIN AUXILIARY FIELD 9 AND \$7 MILLION IS FOR CLARK AIR BASE.

OVER THE HORIZON-BACKSCATTER RADAR (OTH-B)

THIS RADAR SYSTEM IMPROVES EARLY WARNING AND ATTACK CHARACTERIZATION FOR THE ATMOSPHERIC THREAT. IT DETECTS AIRCRAFT AND BALLISTIC MISSILES FROM 500 TO 1,800 MILES. THE SYSTEM, AT FOUR LOCATIONS, IS LOCATED ON THE EAST AND WEST COASTS, IN THE NORTH CENTRAL PART OF THE COUNTRY, AND IN ALASKA. IN FISCAL YEARS 1983 AND 1984, THE CONGRESS APPROVED CONSTRUCTION FOR THE EAST COAST SYSTEM AT BANGOR, MAINE. IN FISCAL YEARS 1986 AND 1987 CONSTRUCTION WAS APPROVED FOR THE WEST COAST LOCATION AT MOUNTAIN HOME AIR FORCE BASE, IDAHO.

FOR FISCAL YEAR 1989 WE ARE REQUESTING APPROPRIATIONS OF \$17.5 MILLION FOR CONSTRUCTION OF AN OPERATIONS CENTER, ELMENDORF AIR FORCE BASE, ALASKA.

CURRENT MISSION MILCON

NONE OF THE PROJECTS OR PROGRAMS MENTIONED THUS FAR IN MY STATEMENT SATISFIES THE NEED TO CARE FOR THE EXISTING AIR FORCE PHYSICAL PLANT. PART TWO, CALLED CURRENT MISSION REQUIREMENTS, OF OUR MILITARY CONSTRUCTION PROGRAM IS SIZED TO REVITALIZE THE EXISTING FACILITY INFRASTRUCTURE.

BEYOND THOSE MISSION RELATED MILITARY CONSTRUCTION REQUIREMENTS MENTIONED ABOVE, WE HAVE FACILITY REQUIREMENTS WHICH MAKE ESSENTIAL CONTRIBUTIONS IN ATTRACTING, RETAINING, AND MOTIVATING AIR FORCE PEOPLE. THESE FACILITY INVESTMENTS ALLOW US TO SUSTAIN OUR COMMITMENT TO A QUALITY FORCE. THE CURRENT MISSION SHARE OF OUR MILITARY CONSTRUCTION, ALONG WITH THE FAMILY HOUSING PROGRAM, WHICH I'LL DISCUSS IN A MOMENT, ARE FUNDAMENTAL COMPONENTS OF A MODERN, EFFECTIVE, HIGH-QUALITY AIR FORCE. SUBSTANDARD BASE FACILITIES REDUCE THE EFFECTIVENESS OF OUR FORCES AND ADVERSELY AFFECT MORALE AND RETENTION OF OUR PEOPLE.

THE CONCLUSIONS REACHED IN THE DEFENSE DEPARTMENT'S RECENT REPORT TO CONGRESS ON THE RELATIONSHIP BETWEEN THE QUALITY OF OUR FACILITIES AND RETENTION CONFIRMS OUR LONGSTANDING BELIEF: THERE IS A VERY STRONG CORRELATION BETWEEN OUR PEOPLE'S PERCEPTIONS OF THE AVAILABILITY AND QUALITY OF SPECIFIC TYPES OF FACILITIES AND THEIR SUBSEQUENT DECISIONS TO STAY WITH US. PART TWO OF OUR PROGRAM IS INTENDED TO CARE FOR THESE NEEDS. UNFORTUNATELY, CONTINUING BUDGET CONSTRAINTS ARE PUSHING US FARTHER AWAY FROM MEETING A MODEST GOAL OF REVITALIZING OUR EXISTING FACILITIES ON A 50-YEAR REPLACEMENT CYCLE. THE AMERICAN TAXPAYER HAS PROVIDED THE AIR FORCE WITH A PHYSICAL PLANT VALUED AT OVER \$120 BILLION. ON AVERAGE, THAT PLANT IS OVER 30 YEARS OLD.

THE CONGRESS SENT SOME CLEAR SIGNALS TO THOSE WHO FORMULATE THE SIZE OF THE MILITARY CONSTRUCTION PROGRAM. DURING THE EARLY TO MID-EIGHTIES WE WERE RECEIVING ABOUT \$1.5 BILLION EACH YEAR FOR THE MILITARY CONSTRUCTION PROGRAM.

FUNDING LEVELS TOOK A DOWNTURN BEGINNING IN 1987, WHEN OUR PROGRAM WAS REDUCED TO ABOUT \$1.2 BILLION. WE BELIEVED THAT THE REDUCTION WAS A TEMPORARY PHENOMENON. UNFORTUNATELY, THE FISCAL YEAR 1988 FUNDING REMAINED AT ABOUT THE SAME LEVEL. SOME OF OUR LEADERS IN THE DEFENSE DEPARTMENT BELIEVE THAT YOU HAVE CAPPED THE AIR FORCE PROGRAM BELOW \$1.3 BILLION. LET ME OUTLINE WHAT THIS DOES TO OUR PROGRAM. SINCE NEW MISSION AND OTHER "MUST PAY" PROJECTS ARE FUNDED FIRST, THE IMPACT OF A FUNDING CAP FALLS TO THE CURRENT MISSION PORTION OF OUR PROGRAM. IF THE TOTAL MILITARY CONSTRUCTION PROGRAM IS LIMITED TO \$1.3 BILLION AND THIS YEAR'S NEW MISSION REQUIREMENT IS \$686 MILLION, WE HAVE BUT \$614 MILLION TO REVITALIZE OUR EXISTING PHYSICAL PLANT AND SATISFY FACILITY DEFICITS. FUNDING OF \$614 MILLION FALLS SHORT OF MEETING OUR MOST CRITICAL NEEDS. AT THAT LEVEL OF FUNDING WE ARE REVITALIZING OUR PHYSICAL PLANT ON A CYCLE IN EXCESS OF 200 YEARS. IF I CAN USE A METAPHOR TO DESCRIBE THIS SITUATION, WE CAN'T FINISH PAINTING THE BRIDGE BEFORE WE MUST BEGIN ALL OVER AGAIN.

I HAVE BEEN OBSERVING THE CONDITION OF OUR PHYSICAL PLANT FOR MORE THAN 30 YEARS AND I AM CONCERNED. THE NUMBER OF FACILITY PROBLEMS IS INCREASING. FACILITIES AT SHEMYA AIR FORCE BASE, ALASKA, LACKLAND AIR FORCE BASE, TEXAS, AND AIR UNIVERSITY AT MAXWELL AIR FORCE BASE, ALABAMA, ARE A FEW EXAMPLES OF WHERE WE'VE HAD TO MAKE LARGE CAPITAL INVESTMENTS TO CORRECT SERIOUS PROBLEMS. THE NUMBER OF LOCATIONS REQUIRING SPECIAL FACILITY INVESTMENTS WILL CONTINUE TO INCREASE UNLESS WE SATISFY REQUIREMENTS AT A FASTER PACE. WE BELIEVE THAT A MINIMUM OF \$900 MILLION IN TODAY'S SPENDING POWER MUST BE INVESTED IN THE EXISTING PHYSICAL PLANT IF WE ARE TO CHECK THE NUMBER OF BASES NEEDING HEAVY INFUSIONS OF CAPITAL. A REAL OR PERCEIVED MILITARY CONSTRUCTION FUNDING CAP PRECLUDES INCREASING OUR REVITALIZATION INVESTMENTS.

THE COMMITTEES OF CONGRESS HAVE URGED US TO GET OUR LEADERS INVOLVED IN RAISING THE PRIORITY OF FACILITY PROGRAMS BY ASKING TO MAKE THE PRIORITY OF FACILITY PROGRAMS KNOWN TO CONGRESS. THE AIR FORCE DID THIS LAST YEAR WITH DIRECT CORRESPONDENCE TO THE ARMED SERVICES AND APPROPRIATIONS COMMITTEES. BOTH THE SECRETARY OF THE AIR FORCE AND THE AIR FORCE CHIEF OF STAFF EXPRESSED THEIR COLLECTIVE VIEW OF THE IMPORTANCE OF AIR FORCE FACILITY PROGRAMS WHEN THEY STATED THAT WE NEED TO REVERSE THE TREND OF UNDERFUNDED FACILITY PROGRAMS AND RAISE THEIR PRIORITY DURING THESE TOUGH BUDGET TIMES. BOTH HAVE OFFERED TO WORK WITH CONGRESS. THAT OFFER REMAINS OPEN TODAY IN THE HOPE THAT WE CAN CHECK THE DECLINE IN MILITARY CONSTRUCTION FUNDING. ONE CLOSING NOTE BEFORE WE TURN TO THE MILITARY FAMILY HOUSING PROGRAM. BECAUSE OF THE REAL OR PERCEIVED LIMIT ON THE MILITARY CONSTRUCTION PROGRAM AND THE NEED TO FUND NEW MISSION BEDDOWNS, OUR REQUEST FOR THE CURRENT MISSION SHARE OF PROGRAM IN FISCAL YEAR 1989 IS LESS THAN YOU APPROVED FOR FISCAL YEAR 1988. IT IS THEREFORE ESSENTIAL THAT WE WORK TOWARDS FULL FUNDING OF OUR VERY CONSTRAINED MILITARY CONSTRUCTION REQUEST FOR FISCAL YEAR 1989.

MILITARY FAMILY HOUSING PROGRAM

AT THIS TIME, I WOULD LIKE TO TAKE A FEW MOMENTS AND DISCUSS OUR MILITARY FAMILY HOUSING PROGRAM. THE PICTURE IS BRIGHTER AND WE ARE MAKING PROGRESS. FAMILY HOUSING RANKS AT THE TOP OF THE LIST IN IMPORTANCE TO OUR MARRIED MEMBERS.

IMPROVING OR REVITALIZING OUR AGING FAMILY HOUSING INVENTORY IS OUR TOP FACILITY PRIORITY. OUR 380,000 MILITARY MEMBERS AND THEIR FAMILIES EXPECT AND DESERVE HOMES WHICH MEET CURRENT STANDARDS OF LIVABILITY. ALMOST TWO-THIRDS OF OUR FAMILIES LIVE IN LOCAL COMMUNITIES, WHILE APPROXIMATELY 142,000 FAMILIES RESIDE IN GOVERNMENT HOUSING. OVER 77 PERCENT OF OUR GOVERNMENT HOUSING, WHICH AVERAGES 30 YEARS OLD, IS OCCUPIED BY JUNIOR ENLISTED MEMBERS AND JUNIOR OFFICERS. IF THE

GOVERNMENT-PROVIDED HOUSING DOES NOT MEET QUALITY OF LIFE EXPECTATIONS, THE MILITARY MEMBER, AS WELL AS THE FAMILY WOULD CHOOSE NOT TO REMAIN IN THE MILITARY.

THE IMPROVEMENT PROGRAM, THEREFORE, IS OUR HIGHEST PRIORITY. IT PROTECTS OUR \$11 BILLION INVENTORY BY KEEPING OUR HOUSING UNITS UP-TO-DATE. FOR FISCAL YEAR 1988 THE CONGRESS APPROPRIATED \$119.2 MILLION OF OUR IMPROVEMENT PROGRAM REQUEST OF \$154.5 MILLION. AS A RESULT, THE AMENDED FISCAL YEAR 1989 IMPROVEMENT REQUEST HAS BEEN REDUCED BY AN ADDITIONAL \$19 MILLION, FROM \$173.3 TO \$154.3 MILLION. WE SOLICIT YOUR SUPPORT OF THIS YEAR'S REQUEST, AND WE WOULD PROPOSE THAT THE COMMITTEE URGE US TO CONTINUE WITH AN ACTIVE IMPROVEMENT PROGRAM THAT ATTACKS OUR BACKLOG OF 80,000 HOMES THAT REQUIRE REVITALIZATION.

OUR NEW CONSTRUCTION PROGRAM REQUEST HAS CONTINUED TO DECREASE OVER THE PAST FEW YEARS DUE TO BUDGET CONSTRAINTS EVEN THOUGH OUR WORLDWIDE NET DEFICIT IS APPROXIMATELY 34,000 UNITS. WE DEPEND FIRST ON THE LOCAL COMMUNITY FOR ADEQUATE HOUSING, BUT IN SOME CASES OFF-BASE HOUSING IS INADEQUATE DUE TO DISTANCE, CONDITION, OR COST. OUR FISCAL YEAR 1989 REQUEST IS FOR 260 NEW UNITS AT CLARK AIR BASE, PHILIPPINES, WHICH IS OUR MOST DEFICIENT LOCATION BECAUSE OF INSECURE OFF-BASE LIVING CONDITIONS.

ADDITIONALLY, TO ASSIST IN AMELIORATING OUR DOMESTIC HOUSING DEFICIT PROBLEM, WE ARE PURSUING THE EXECUTION OF BUILD-LEASE (SECTION 801) AND RENTAL GUARANTEE (SECTION 802) AUTHORIZATIONS GRANTED BY YOU IN PRIOR YEARS. WE ARE ALSO PURSUING PRIVATE SECTOR FINANCING OF HOUSING UNITS USING 10 U.S.C. SECTION 2667 AUTHORITY. OUR OVERSEAS LEASING PROGRAM CONTINUES TO HELP SATISFY OUR HOUSING REQUIREMENTS. ALTHOUGH NO NEW DOMESTIC OR FOREIGN LEASING AUTHORIZATIONS ARE BEING REQUESTED, OUR BUDGET REQUEST INCLUDES FUNDS TO PAY FOR THE LEASES PREVIOUSLY AUTHORIZED. I WOULD NOTE THAT WE REDUCE THE ANNUAL FUNDING REQUIREMENT FOR MILITARY HOUSING ALLOWANCES,

AUTHORIZED AND APPROPRIATED IN THE DEFENSE BILL, BY \$5,610 FOR EACH ENLISTED GRADE HOUSE, AND \$8,527 FOR EACH OFFICER HOUSE WE BUILD OR LEASE.

OPERATIONS AND MAINTENANCE IS THE BACKBONE OF OUR PROGRAM TO KEEP THE EXISTING AIR FORCE INVENTORY AVAILABLE FOR OCCUPANCY. WHILE THE IMPROVEMENT PROGRAM IMPROVES THE STANDARDS OF OUR UNITS, THE MAINTENANCE PROGRAM KEEPS THE "DOORS OPEN" AND PROVIDES SHORT-TERM PROTECTION FROM FURTHER DETERIORATION. ALSO, THE OPERATIONS AND UTILITIES ACCOUNTS PROVIDE "MUST PAY" FUNDING TO MANAGE, SERVICE AND OPERATE OUR INVENTORY.

FAMILY HOUSING IMPROVEMENTS ARE IMPORTANT AND SERIOUS. THE REQUIREMENT FOR ADEQUATE FAMILY HOUSING IS ONE OF OUR TOP QUALITY OF LIFE ISSUES. WE CANNOT AFFORD TO LOSE HIGHLY TRAINED AIR FORCE MEMBERS BECAUSE WE ARE UNABLE TO PROVIDE HOUSING WHICH IS COMPARABLE TO THAT FOUND IN THE CIVILIAN COMMUNITY. WE REQUEST YOUR FULL APPROPRIATION OF THE MILITARY FAMILY HOUSING PROGRAM AS SUBMITTED SO THAT WE CAN PROVIDE QUALITY HOMES FOR OUR AIR FORCE FAMILIES.

CONCLUSION

MR. CHAIRMAN, OUR FISCAL YEAR 1989 REQUEST PROVIDES FACILITIES IN SUPPORT FOR THOSE WEAPONS SYSTEMS THAT SUPPORT NATIONAL WARFIGHTING PROGRAMS. AS I EXPRESSED EARLIER, OUR MOST DESPERATE NEEDS ARE TO REVITALIZE THE PHYSICAL PLANT AND OUR FAMILY HOUSING.

IF WE WERE A COMMERCIAL CORPORATION, WE WOULD RESERVE FUNDS EACH YEAR TO REPLACE OUR FACILITY PLANT WHEN IT NEARS THE END OF ITS ECONOMIC LIFE. WE LOOK TO THE CONGRESS TO PROVIDE US THE NECESSARY REVITALIZATION FUNDS. AS THE CONGRESS APPROVES NEW WEAPONS SYSTEMS IT ALSO APPROVES AND FUNDS THE SUPPORTING MILITARY CONSTRUCTION. OUR NEED IS FOR YOU TO FOCUS ON THOSE PROJECTS THAT REVITALIZE OUR EXISTING FACILITIES. THE

AIR FORCE LEADERSHIP AND THIS COMMITTEE CONTINUE TO RECOGNIZE THE IMPORTANCE OF OUR FACILITIES INFRASTRUCTURE. WITH AN ASSIST FROM CONGRESS IT IS MY HOPE THAT UNDERFUNDING OUR FACILITY REVITALIZATION NEEDS IS A SHORT-TERM BUDGET PHENOMENON.

MR CHAIRMAN, I AM HONORED TO BE ABLE TO APPEAR BEFORE YOU TODAY AND TO REPRESENT THE UNITED STATES AIR FORCE. I AM PREPARED TO ANSWER YOUR QUESTIONS.



Biography

United States Air Force

Secretary of the Air Force, Office of Public Affairs, Washington, D.C. 20330

JAMES F. BOATRIGHT

Mr. James F. Boatright is deputy assistant secretary of the Air Force for installations, Washington, D.C.

Mr. Boatright was born May 17, 1933, in Colorado Springs, Colorado. He earned a bachelor of science degree in civil engineering and was commissioned a second lieutenant in the U.S. Army Corps of Engineers as a distinguished Reserve Officers' Training Corps graduate in 1956. Mr. Boatright attended the Federal Executive Institute in Charlottesville, Virginia, in January 1976.



Following his two-year tour of duty in the U.S. Army, Mr. Boatright began his professional career in 1958 as a federal employee with the Bureau of Reclamation in Grand Junction, Colorado, as a civil engineer designing earth-fill dams and other hydraulic structures. In 1959 he became a construction engineer with the U.S. Army Corps of Engineers in the construction management of Atlas missile launch sites in Kansas. As this construction effort was nearing completion in 1961, Mr. Boatright transferred to the U.S. Army Research and Development Laboratory, Fort Belvoir, Virginia, where he served as a civil engineer in the development of mobile construction equipment for Army construction units.

He began his career with the U.S. Air Force as a civil engineer in the Directorate of Civil Engineering, Headquarters U.S. Air Force, Washington, D.C., in 1966. His first assignment was as project engineer for Air Force construction in the Republic of Vietnam during the military buildup. In 1967 he was promoted to deputy chief, CONUS Construction Branch. He was named special technical adviser on legislative matters to the director of civil engineering in 1969. He became deputy chief of the Engineering Division in 1970 and in 1973 was promoted to deputy director for construction.

Mr. Boatright has served in the Office of the Secretary of the Air Force since June 1976. He became acting deputy assistant secretary for installations in May 1979 and was formally appointed to this position in December 1981. In October 1982, Air Force environmental and safety functions were added to his responsibilities. In his present capacity, he is the senior Air Force manager, spokesman and defender of installations, environment and safety matters.

He is a registered professional engineer (civil/structural) in the District of Columbia and is affiliated with the Society of American Military Engineers. His awards include the Meritorious Civilian Service Award in 1976, the Decoration for Exceptional Civilian Service in 1981, and the Presidential Meritorious Executive Rank Award in 1985. He was awarded the Medal of Merit by the California National Guard in August 1986.

Mr. Boatright is married to the former Gloria Sellar of Augusta, Maine. They are the parents of two sons and one daughter.



Biography

United States Air Force

—Secretary of the Air Force, Office of Public Affairs, Washington, D.C. 20330

MAJOR GENERAL GEORGE E. ELLIS

Major General George E. "Jud" Ellis is director of engineering and services, Office of the Deputy Chief of Staff for Logistics and Engineering, Headquarters U.S. Air Force, Washington, D.C.

General Ellis was born Feb. 3, 1936, in Millinocket, Maine, where he graduated from Stearns High School in 1953. He received a bachelor of military science degree from the U.S. Military Academy in 1958; a master of science degree in systems analysis from Arizona State University in 1967; and a master of business administration degree from George Washington University, Washington, D.C., in 1972. He completed Squadron Officer School in 1961, and the Industrial College of the Armed Forces in 1972.



After receiving his commission as a second lieutenant in the U.S. Air Force in June 1958, he entered primary flight training at Bartow Air Force Base, Fla., and Webb Air Force Base, Texas. He was assigned to the 3510th Installation Group at Randolph Air Force Base, Texas, in June 1959. The general transferred to Alaska in February 1960 and was initially assigned to the 712th Aircraft Control and Warning Squadron as site engineer on Northeast Cape. Later, he served with the 718th Aircraft Control and Warning Squadron at Unalakleet.

In March 1961 the general was assigned as a base engineer with the 3345th Civil Engineering Group, Chanute Air Force Base, Ill. He entered Arizona State University in June 1965 and, after graduating in June 1967, was assigned as an adviser to the Vietnamese air force base commander at Tan Son Nhut Air Base, Republic of Vietnam.

Returning to the United States in December 1968, he became a project officer for the director of civil engineering, Air Force headquarters, until July 1971. After graduating from the Industrial College of the Armed Forces in August 1972, General Ellis transferred to Maxwell Air Force Base, Ala., and served as the base engineer, commander of the 3800th Civil Engineering Squadron and the Air University engineer.

From November 1974 to June 1977 General Ellis served as the first chief of the Air Staff Civil Engineering and Services Management Evaluation Team. He then became chief, Operations and Maintenance Division, within the Directorate of Engineering and Services.

In July 1978 General Ellis became the last commander of the Air Force Civil Engineering Center at Tyndall Air Force Base, Fla. With the establishment of the Air Force Engineering and Services Center at Tyndall, he was assigned as the first vice commander. He transferred to Headquarters Tactical Air Command, Langley Air Force Base, Va., in May 1979 and served as deputy chief of staff for engineering and services. General Ellis became the deputy director of engineering and services at Air Force headquarters in October 1984. He assumed his present duties in March 1986.

His military decorations and awards include the Legion of Merit with one oak leaf cluster, Bronze Star Medal with "V" device and one oak leaf cluster, Meritorious Service Medal with one oak leaf cluster, Air Force Commendation Medal, Air Force Outstanding Unit Award with two oak leaf clusters, National Defense Service Medal with one service star, Vietnam Service Medal with five service stars, Air Force Longevity Service Award Ribbon with five oak leaf clusters, Small Arms Expert Marksmanship Ribbon, Republic of Vietnam Gallantry Cross with Palm, Republic of Vietnam Honor Medal First Class and Republic of Vietnam Campaign Medal.

He was promoted to major general March 1, 1986, with same date of rank.

General Ellis is married to the former Dorothy Marie Rountree of Winter Haven, Fla. They have two children, Kymlyn and Harold.

NEGLECT OF INFRASTRUCTURE

Senator SASSER. Thank you, General Ellis.

Does this conclude the testimony, Mr. Secretary?

Mr. ALDRIDGE. Yes; it does.

Senator SASSER. Gentlemen, let me thank you for your testimony here today.

This subcommittee shares your concern that in the rush to build facilities to support new weapons systems and new missions, there is a tendency to neglect our infrastructure that supports the existing missions.

I am hopeful that together the Congress and the Department of Defense can assure that the infrastructure needs which support our existing missions are not neglected. The accomplishment of that goal, however, is going to have to begin in the Department of Defense.

It means, and I have said this before, first and foremost, that senior officials at the Pentagon have to be willing to establish a baseline for military construction funding even if that baseline competes against other DOD accounts.

I would ask these witnesses before the subcommittee today, do you believe the Department shares your concerns for funding existing mission-related construction to the point of reducing the budget requests for other defense accounts to accommodate it?

Mr. ALDRIDGE. Mr. Chairman, let me address that. General Ellis has hit upon it, and let me talk just for myself from the Air Force point of view.

There is a perception that there is a cap on military construction and that anytime we came over to the Congress with funding for military construction which exceeded that cap, we were throwing that money away.

So there is great reluctance for us to use those funds for military construction where we thought we were going to lose them in any event. I think that perception is something we need to resolve between the Department of Defense and the Congress of the United States; that is, to make sure that the funding that is necessary to support the mission will be funded and not funded on the basis that there is a cap on military construction.

I believe, sir, if we can get that issue resolved, then we can put the priorities that we would really want to put on military construction certainly in the Air Force budget and I think within the Department of Defense budget as well.

Senator SASSER. Perhaps so, Mr. Secretary.

I would only say that the effort to prioritize the budget and assure adequate resources for existing missions needs to have the full support of the Department.

RELOCATION OF SPANISH-BASED F-16 FIGHTER WING

Moving to another subject, last year this subcommittee included language in the continuing resolution which prevents the expenditure of any funds by the Air Force for the design or construction of facilities to support the relocation of the F-16 fighter wing that the Spanish Government has asked us to remove from Torrejon.

The purpose of the subcommittee's amendment was to make the point undeniably that our NATO allies should pay for the relocation of these fighters that are dedicated to the defense of Western Europe.

The U.S. Government did not seek to relocate the F-16 wing. As you know, Mr. Secretary, we negotiated diligently and energetically to maintain our F-16 presence at Torrejon, and it was the Spanish, our NATO ally, that is forcing us out of Spain with regard to this particular mission.

What can you tell us about the potential for relocating this wing elsewhere in Southern Europe? How is that effort proceeding? Do you believe that our NATO allies will pay the cost of the facilities to relocate the wing?

General ELLIS. Mr. Chairman, the move of the 401st out of Torrejon is being executed even today with the NATO allies in the process of agreeing to pay the bill for the movement of the 401st somewhere in Europe.

There is a team that is leaving today or has already left from the Joint Chiefs of Staff and the Air Force to work with the various governments in Europe to find a place for the 401st so that it can continue to support the defense of Europe in the NATO infrastructure as it has in the past.

We are committed to having NATO pay that bill.

Senator SASSER. I am delighted to hear that. I think the relocation of the wing is important. I think it is important to keep the wing in Southern Europe. It maintains the integrity of our southern flank.

NORTH ATLANTIC TREATY ORGANIZATION BURDENSARING

I also think it is important from the standpoint of burdensharing. We hear a lot of talk about burdensharing now. I have been discussing this for a number of years. I discussed it again yesterday with Secretary Carlucci. I am very much encouraged by his attitude with regard to the whole question of burdensharing.

I see this almost as a litmus test as to whether or not our NATO allies are going to come forward and share the burden of relocating this F-16 wing.

FACILITY REQUIREMENTS IN RELOCATION

Has the Air Force identified all the facility requirements that will be necessary to support the relocation of this wing?

Mr. ALDRIDGE. Yes, sir; of course, the precise facility requirements will depend upon the base that is selected, and that is still being looked

at. Depending upon the base of choice and the alternatives being looked at, yes, we have identified each facility that would be necessary to handle and support the wing.

Senator SASSER. The reason I asked that question is we have received some indication from NATO that they are concerned that the Air Force may be attempting to goldplate this new base for the F-16's.

I think we can reasonably expect NATO to pay for rebuilding the same facilities the Air Force had in Spain, but it is probably unreasonable on our part if we are expecting them to come up with new facilities and new capability which we did not have in Spain.

We do not want to see the Air Force become an impediment to working out the F-16 relocation. That is, frankly, the reason I bring that up.

Mr. ALDRIDGE. Mr. Chairman, I think I have gotten your message on that. You can be assured that that is not our intent.

Senator SASSER. I would just sound that little note of alarm or warning, Mr. Secretary, however you and your colleagues wish to take it.

We have been joined now by Senator Specter, and I will turn to him for any statement or questions that he might have.

Senator SPECTER. Thank you very much, Mr. Chairman.

ATTITUDE BY OTHER NORTH ATLANTIC TREATY ORGANIZATION ALLIES ON RELOCATION

The circumstances which require the move from Spain, of course, are very unfortunate. Do we have any indications that the attitude of the Spanish Government might be repeated by any of the other participants of the NATO alliance?

Mr. ALDRIDGE. I am not aware of any, sir. We are still very much concerned with the ongoing negotiations that are in Spain on additional things, but I had no indication that our other NATO allies will have that same attitude.

Senator SPECTER. How about Greece, Mr. Secretary?

Mr. ALDRIDGE. I think it is still too early to tell right now. That is still being negotiated. I do not have the up-to-date facts on where those negotiations stand as of today, but it is a concern. That is certainly the case. I do not believe they have gotten to the point that we are in Spain, where they have insisted that we remove a full tactical fighter wing.

Certainly, those negotiations are not at that same state, and I am sure there is negotiating posturing that is ongoing in that regard right now, but I do not have the same level of concern at this point in time other than a kind of overall concern of the process.

Senator SPECTER. No fledgling or hints anywhere else to lead to any concern about a similar problem?

Mr. ALDRIDGE. Not that I can address directly, sir. Is there something in particular you were focusing to?

Senator SPECTER. No; just looking for something that might be on the horizon that we might be alerted to at an early stage to try to correct if any such problem existed.

Mr. ALDRIDGE. Not of the degree of the Spanish negotiations, no sir.

OTHER NEGOTIATIONS WITH SPAIN

Senator SPECTER. You made a reference a moment or two ago about other negotiations going on in Spain. Could you amplify what you were referring to there?

Mr. ALDRIDGE. Yes, sir; there were several other things being discussed with the Spanish regarding other facilities and level of support in other areas of the country after the 401st leaves and that we just had some concerns about the Spanish attitude regarding the level of support that was going to remain in Spain after the 401st. Those negotiations are still ongoing.

Senator SPECTER. What are the indicators at this time, if you can tell us?

Mr. ALDRIDGE. Sir, I think that gets into details of the negotiations. I do not know whether it is official Spanish policy on those issues or not, and I would prefer not to go into those in an open hearing, sir.

Senator SPECTER. All right. We may pursue those aside from the open hearing.

Senator Sasser has had to step out, and I yield now to my distinguished colleague from Alaska, Senator Stevens.

Senator STEVENS. Thank you very much.

SOVIET FORCE BUILDUP IN ALASKAN ARCTIC AREA

Mr. Secretary, I am disturbed about some of the buildup that we are seeing in the Alaskan arctic area that has been reported of Soviet forces in the North Pacific in the Bering Sea area. I hope you have seen the report in Aviation Week and elsewhere.

OVER-THE-HORIZON RADAR IN ALASKA AREA

That leads me to the question concerning this subcommittee's jurisdiction. That is most acute in the area of the over-the-horizon radar. Thankfully, the Senate bill that is on the floor now, the Senate authorization bill being debated by the Senate now, does fully authorize all of the Air Force requests for the Alaskan area. In particular, it fully authorizes the expenditures for the over-the-horizon radar.

The House Armed Services Committee deleted the money for the radar, \$17.5 million, and \$161 million for the equipment.

I would like to make sure that this subcommittee understands fully the urgency for that radar. Therefore, what is the current schedule for the award of that contract that will bring us the over-the-horizon radar and what priority do you place upon this strategic new system to be based in Alaska to deal with the over-the-horizon problem as far as the Soviet Union is concerned?

Mr. ALDRIDGE. Let me address the general question first, and then perhaps we can give you some of the precise aspects of the contract date.

The Air Force strongly supports the over-the-horizon radar in Alaska. It is not only just the Air Force, it is the military commanders in the area who see the vital need for that kind of a radar for detection of the Soviet aircraft that are increasingly active in that part of the world these days.

We strongly support it. It has been in our budget. We are defending our budget, trying to get that agreed to in the House. Unfortunately, we did not succeed but you can be assured that the Air Force puts it at a high priority in its program.

Let me ask if maybe General Ellis or Jim Boatright knows the contract dates.

General ELLIS. As you know, Senator Stevens, we have \$5 million in the 1988 program which is the purchase of land in Alaska. In fiscal year 1989, there is \$17 million for Alaska for the operations building, and in 1990 to complete the full system also has some other construction for Alaska.

As the Secretary said, it is an important tripwire system for identifying any incursions into the North and Northwest, and I think we need it very much.

ALASKA-BASED OVER-THE-HORIZON PROBLEMS

Senator STEVENS. General, the House, I am told, deleted the money for Alaska over-the-horizon radar because of perceived difficulties in the main installation for this over-the-horizon radar.

What is the problem there? We do not understand that.

General ELLIS. We have no problems with the OTH-B in Maine. In fact, it is working better than we originally predicted, and it is a great system.

I would probably have to argue that the other subcommittee was not informed correctly or it reached an incorrect decision on the relative value of the OTH-B for the United States.

Mr. ALDRIDGE. Senator Stevens, I think at one time the main radar had some difficulty in its data processing. That was going through the original testing of the program. I was very familiar with that program. It was just a matter of getting that first fan of the OTH completed, getting it developed, and making sure we all understand it. It has nothing to do with the subsequent facilities.

I think the House Armed Services Committee was just misinformed as to how the progress of the program has been since the time of the original difficulties we had with the program. It was late. It had some software difficulties, but all those have been resolved, and we are pressing on with completing the series of OTH fans that are necessary to provide that bomber detection.

Senator STEVENS. Well, it is my understanding that the OTH would give us an all-weather, around the clock, 365 day a year surveillance beyond the horizon for this area.

SOVIET INCURSIONS INTO UNITED STATES AIRSPACE

As Aviation Week points out, 50 of the Bear bombers came into our airspace in 1987; 12 already this year, and that is just in the period of March through April. Of course, they did desist for a period of time when the meetings were going on with the Soviet leader.

I cannot believe that anyone would not understand the necessity for having a greater surveillance. I was completely taken aback when the House not only deleted the Milcon money but deleted the \$161 million for the equipment. It is a fight we did not expect.

Mr. ALDRIDGE. Sir, you and I have absolutely no argument on this issue. We are in full agreement. I think there are probably some people looking for rationale to make a budget cut rather than any technical issue associated with the program.

Senator STEVENS. I appreciate that.

I have no other questions, Mr. Chairman, concerning the matter. As I said, the area in my State is fully authorized by the Senate. This was one Air Force matter from the House action that has been confusing. That is the best word that I could use for it. I do not understand why they did it.

Thank you, Mr. Chairman.

Senator SASSER. Thank you, Senator Stevens.

J-6 LARGE ROCKET TEST FACILITY AT ARNOLD ENGINEERING TEST CENTER

Gentlemen, the Air Force has requested \$50 million to begin construction of the J-6 large rocket test facility at the Arnold Engineering Test Center.

Tell us why the Air Force needs the J-6. Who wants to take a shot at that?

General Ellis?

General ELLIS. The J-6, Mr. Chairman, is terribly important to the Air Force so that it can test in a high-altitude environment its new rocket motors.

It is important that we have an additional capability because the existing test cells today are not configured for some of the new fuels that have a greater lift capacity.

So we need to move out of the existing cells that we have into one that will allow us to test the D-5, the MX, the small missile, all of the new weapons systems coming on.

Most importantly, we need to be able to test them at high altitude. That is a terribly important package for the U.S. Air Force.

Senator SASSER. If the Air Force ultimately decided to scrap the Midgetman missile, and maybe it has decided, but if it should ultimately become a reality that the Midgetman would be scrapped, this does not change your need for construction of the J-6, does it?

General ELLIS. Not at all, sir.

Senator SASSER. The J-6 is a very large project with a very important mission. I would appreciate, Mr. Secretary, you and your colleagues providing some additional information and justification on this project for the hearing record.

Mr. ALDRIDGE. Yes, sir; we will certainly do that. You can be assured that the Air Force supports that project very strongly not only for just the projects that we see on the horizon for the next few years, but it is also the kind of capability we need to test future systems, to give us that reliability and capability that we do not have the ability to test right now.

We need reliability, and that is an important part of the program.
[The information follows:]

J-6 LARGE ROCKET TEST FACILITY

The large rocket test facility (J-6) is expanding existing technology to correct siting deficiencies associated with testing high energy propellant rocket motors. J-6 has been sized and sited for all known future solid rocket motor requirements.

Arnold Engineering Development Center [AEDC], Tennessee provides the only rocket motor altitude test capability in the free world. All other test capabilities are open air, sea level thrust stands. J-6 will only be used for altitude testing of rocket motors as is the case with present AEDC rocket motor test facilities. The J-6 facility will have the capability to simulate altitudes up to 100,000 feet.

The increased thrust design and remote location of J-6 will reduce the risk of damage to other unique facilities at AEDC should a large rocket motor with high energy propellant catastrophically fail. Our present large rocket motor test facilities have served us well for the lower energy class motors for which they were designed. These facilities can continue to be used for their designed purpose, but we cannot accept the risk associated with high energy propellants used in some of our present and future large rocket motors.

DEFENSE LANGUAGE INSTITUTE IN TEXAS

Senator SASSER. Gentlemen, let me ask you, what is in this bill for the Defense Language Institute in Texas?

Mr. BOATRIGHT. In the request this year, we are asking for another \$12 million as the second phase of our Defense Language Institute English language center facility. We have a third increment that will come in our 1990 program which will finish the total requirement.

In the first increment in 1988 that was approved, we are building the student officer quarters. In this year's increment, we will be building the academic facility, and in next year's increment we will be building the airman student facilities as well as the dining hall.

Senator SASSER. My concern is this, Mr. Boatright. Last year the conferees reluctantly approved \$12 million for housing to support the Defense Language Institute. Now more than 75 percent of the students who come to that institute are from foreign countries. I frankly question whether U.S. taxpayers ought to be paying the entire cost themselves.

The conference report directed that any future construction funds should come from foreign aid training accounts, not from military construction. But you have requested another \$12 million from us. As I understand what you have just said, there will be additional funds that have yet to be requested.

Why should we fund this account in this military construction bill? We are scrapping around for money. The Secretary testified a moment ago as to the need for not a large sum of money for another very, very vital project.

Why can we not get this money out of the foreign aid bill?

Mr. BOATRIGHT. I think that we should look carefully at the overall policy of the U.S. Government in regard to providing training for foreign countries for foreign students. We have traditionally provided the facilities to support that program. We have asked the participating countries to pay for the cost of operating the program, and that is what the tuition is designed to do.

I think it is also important for us to look to see who, in fact, is attending this English language center. About 25 to 30 percent of the people attending that are U.S. citizens with Hispanic background primarily. About 50 to 60 percent of the students are those from the poorer countries where it is U.S. financing that is paying for the tuition. I agree that it comes from another account, but nevertheless it is money from the taxpayer, and it is U.S. money that is supporting it.

So we have about 75 to 80 percent of all of the students there being paid for by the United States. The tuition for that is being paid for by the United States.

In the case of the students that are attending from countries that can afford to pay full tuition, we have about 15 or 20 percent of those. They are, in fact, paying a 4-percent asset charge in addition to the normal tuition. This goes to the Treasury. It is not available to the Air Force for support of the program. But they are paying their share of the asset cost.

Mr. ALDRIDGE. Mr. Chairman, let me address this. I am probably the instigator of this particular request because I visited the facility at San Antonio and was appalled by the conditions that existed there.

We train people from 77 countries across the world. I walked into a dormitory, and there on the stairs going down to the washroom was a sign. It said, "Beware of Snakes." That is an indication or a poor representation of the conditions of our country. The place was flooded. They would not let me go down there because the basement was already flooded, so that sign had not much relevance at the time.

We also got a letter from the Ambassador from Saudi Arabia discussing the appalling conditions that existed.

I think this is worth \$12 or \$36 million of foreign aid because I believe we get so much return on our investment for this program of teaching these students the English language so they can go back to their countries, and they are then used as instructors for teaching the students back in their country on technical issues associated with our weapons systems.

I think this is a very good investment. I think it is something that the taxpayer should be able to afford as a program to teach these people, to show these people what our country is really all about. I believe it is a good investment. I think we ought to pay for it.

We have provided that priority within the Air Force budget because we are the executive agent for this particular program. We have looked at using foreign aid for support. It is very difficult to do that. It takes a long time, and there is some question of whether or not we can legally do it, although I think that probably can be circumvented.

So this is a very important program for us, one that I would really hope that this committee could support because I believe it does give us a very high return on investment for our future.

Senator SASSER. Mr. Secretary, I would just observe that we did fund a new dormitory last year. I do not debate the merits of the program. I simply would question whether or not the program ought to be paid for with military construction funds. That is my question.

You might want to look at this again and see if you can make an attempt to get it paid for through another funding account.

Mr. ALDRIDGE. Sir, I will certainly look at that.

I agree with you. I think it is a high priority program, and I think we can look at various ways of funding it.

Right now, our request certainly is in the military construction, and that is appropriate. It is not just the dormitory spaces that we need to worry about. It is the other facilities, the classrooms, the cafeteria which was closed at the time because of leaking roofs and unsanitary conditions during my visit down there.

We need to get on with those other things that support the overall project. That is why we have broken it up into increments so that it is not too big a pill to swallow in any given year.

SUBMITTED QUESTIONS

Sir, we can go and look at other innovative ways for financing, but I believe that this is the appropriate course. Certainly however it is financed, it should remain as a high priority on our program.

Senator SASSER. Gentlemen, thank you very much for appearing here this morning. As we near markup on this bill, I suspect that we will have some additional questions, but we appreciate your appearing here, and we particularly appreciate your joining us this morning, Mr. Secretary.

Mr. ALDRIDGE. Thank you, Mr. Chairman. It is my pleasure.

Senator SASSER. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR REID

Question: What are the five year MILCON requirements for Nellis AFB?

Answer: The following projects are proposed for inclusion in the Nellis five year MILCON program.

<u>PROJECT</u>	<u>ESTIMATED COST (\$M)</u>
Lantirn Facility	.6
North Parallel Taxiway	4.6
Medical Facility (DoD)	65.3
Upgrade Electrical Distribution	5.3
Base Security Fence	.3
Eastside Development Ph IV	4.9
Add to POL Storage	.5
Fighter Operations Facility	7.5
Alter Dorms	3.6
Physical Fitness Training Facility	3.4
Munitions Support Complex	4.2
BCE Complex Ph II	5.0
ADAL Base Supply	7.6
Telecom Facility	1.5
TOTAL	114.3

Question: Why was the 474th TFW chosen for deactivation?

Answer: The 474th TFW at Nellis Air Force Base (AFB), Nevada, was selected for inactivation in order to relieve crowding of range and training facilities as well as for other operational factors. Among the units remaining at Nellis AFB are the 57th Fighter Weapons Wing, the 554th Operations Support Wing, the 4440th Tactical Fighter Training Group (Red Flag), the 4450th Tactical Group, and the Air Force Aerial Demonstration Squadron (Thunderbirds).

Question: How are you planning to mitigate the impact of the loss of the 474th TFW?

Answer: To mitigate the reduction in force structure associated with the inactivation of the 474th TFW, the F-16s from the 474th have been reprogrammed for modernization of active and reserve component units. This will allow the Air Force to accelerate the retirement of older, more costly aircraft and replace them with more capable F-16 aircraft.

At Nellis AFB, an expanded testing mission is programmed as the F-15E and F-16 LANTIRN systems are fielded. While this expanded test program is not specifically intended to mitigate the loss of the

474th, it partially offsets this deactivation and demonstrates the continued importance of the Nellis Range Complex in testing new weapons systems.

Question: How long will it take to deactivate the 474th TFW?

Answer: Inactivation of the 474th TFW will occur during the third and fourth quarters of Fiscal Year 1989.

Question: Initially the 401st Tactical Fighter Wing was planned to be deactivated, instead it is now going to be moved from Torrejon, Spain to Italy. Since the 401st is no longer scheduled for deactivation, what wing will be deactivated next?

Answer: The relocation of the 401st will require an equivalent reduction in other Air Force tactical force structure. Alternative force structure reductions which offset this relocation are currently being studied. Until these studies are complete it would be premature to comment on possible unit deactivations.

Question: The Senate Authorization Bill indicates that you will be presenting your request for the Nellis Joint Air Force/VA Hospital next year. The hospital will need power. Are there plans to present a request for an electrical upgrade project at Nellis? If so, when will that request be made?

Answer: The Air Force is currently programming an electrical upgrade project for Nellis in the FY91 program. The project will be scheduled for completion prior to the Composite Medical Facility, providing adequate power service for hospital start-up.

Question: Will the recent plant explosion in Henderson, Nevada have any impact on Nellis Air Force Base? If so, what will be the magnitude of the impact?

Answer: There is no impact on Nellis AFB.

Question: Mr Boatright, your testimony indicated that the B-2 has very good range. What is the range of the B-2?

Answer: Specific details of the B-2's range are classified special access. Procedures have been established to provide the data through committee staffs.

Question: Has the site for the B-2 combat crew training squadron (CCTS) been determined? If not, is Nellis Air Force Base a possibility?

Answer: The B-2 CCTS will be located at Whiteman AFB, MO.

DEFENSE MEDICAL FACILITIES OFFICE

STATEMENT OF GORDON K. DOWERY, DIRECTOR

ACCOMPANIED BY:

COMDR. EDWARD PHILLIPS, DEPUTY DIRECTOR

LT. COL. TERRENCE MULDOON, DIRECTOR, BUDGET PROGRAMS

MEDICAL FACILITIES BUDGET

Senator SASSER. Next we are going to take testimony from the Defense Medical Facilities Office. Our witness will be Mr. Gordon K. Dowery, the Director of Construction.

Mr. Dowery, if you would come forward and take your seat and proceed, sir, as you wish.

Mr. DOWERY. Mr. Chairman, members of the subcommittee, I am Gordon Dowery, Director of the Defense Medical Facilities Office. On behalf of Dr. William Mayer, the Assistant Secretary of Defense for Health Affairs, I thank you for the opportunity to present the Department of Defense fiscal year 1989 medical military construction budget request for \$333 million.

I would also like to acknowledge the contribution this subcommittee has made in supporting the Department's effort to improve conditions of medical facilities worldwide. Despite our recent progress, however, we still have major medical facility inefficiencies that have not been addressed.

PREPOSITIONING MEDICAL READINESS ASSETS

As last year, our fiscal year 1989 request places a significant emphasis on prepositioning medical readiness assets. The readiness projects requested are cited in locations where there is a contingency storage or bad shortfall, and they support the worldwide plan for medical mobilization and contingency facilities. Host nations have provided the construction sites at no cost to the United States to support these projects.

BEDDOWN OF OPERATIONAL MISSIONS

The Department is also committed to funding medical projects required to support the scheduled beddown of new operational missions.

Together, these categories account for \$33.8 million and almost 13 percent of the fiscal year 1989 request. It includes a 500-bed medical contingency complex and a 500-bed fleet hospital support activity at a classified location, a 500-bed fleet hospital storage facility on the island of Guam, two second echelon storage facilities at Air Force bases in

Europe, and a war readiness materiel facility to store a 50-bed air transportable hospital at Tyndall Air Force Base.

Today, none of our medical facilities in Europe are eligible for NATO infrastructure funding. As you are aware, the delivery of health care to include construction of medical facilities is a national responsibility.

STORAGE FACILITIES

We are seeking eligibility for storage facilities for wartime medical assets and, as we reported last year, are making strides in that area.

We have completed the identification of our requirements, the preparation of project description, the justification packages, and have met with United States European Command and representatives of the supreme headquarters, Allied Powers Europe.

Eucom is managing our effort to obtain eligibility for our storage facilities under the NATO infrastructure program. In the interim, we are processing precautionary prefinancing statements on all our European storage facilities so that if they become eligible we can recoup our investment.

While there are only two contingency projects in this request that might become eligible, they are so important that they should be funded now and not wait for future eligibility determination.

UPGRADING HEALTH CARE LOCATIONS

The provision of health care at locations where appropriate alternative sources are not available ranks as our next highest construction priority. This category includes medical facilities that are predominantly overseas which are among the oldest in the inventory and historically have not received adequate military construction funding.

They provide neither an acceptable environment for the provision of quality care nor the capability to meet fully their wartime missions.

We have incorporated in many of our overseas projects features necessary for these facilities to expand their missions for contingencies.

The situation in Europe is an excellent example of our problem. Fully 15 percent of our hospitals and 20 percent of our clinics are located there. The Army alone has 30 percent of its force structure in Europe; yet, most of our facilities were constructed before 1960, and many date back to before World War II.

The record of medical military construction investment overseas has been dismal. Over \$100 million was cut from the Department's request in fiscal year 1988 appropriation action for medical facility construction. Every project deleted from our request was overseas. I implore you not to let this happen again.

OVERSEAS REQUEST

The Department is committed to correcting its medical facility deficiencies and feels it is a major responsibility to our military members and their families at these locations. Our overseas request is for \$153

million, representing 46 percent of our fiscal year 1989 program and will provide six medical or dental clinics plus hospitals at Hahn and Lakenheath Air Force Bases.

In the Pacific theater, similar medical facility conditions exist but with miles of ocean separating the installations from alternative medical support.

KOREA FACILITIES

The fiscal year 1989 request of \$60 million focuses on Korea. We are requesting funds to support a replacement hospital at Seoul, a medical dental clinic replacement at Taegu Air Base, and a troop aid station at Camp Howze. These projects, long overdue in support of the active duty personnel and their families who serve in our behalf at these locations, will not only replace inadequate, 30-year-old structures, but will provide us with an improved medical readiness capability.

Unfortunately, today there is an increasing price we must pay for overseas construction. The continuing decline of the dollar is having a major negative impact on our budget request as well as on the fiscal year 1988 program you have already funded.

PROJECTS IN GERMANY

A good example is our exchange rates for our projects in Germany. These projects and those in fiscal year 1988 were budgeted at 2.06 deutschmarks per dollar. If the actual payout is at today's approximate exchange rate of 1.62 deutschmarks per dollar, there will be a 20-percent increase in Germany alone. We estimate that the impact of our entire overseas program could be a deficit of \$6.8 million in fiscal year 1988 and approximately \$27.7 million in fiscal year 1989.

MULTISPECIALTY HOSPITALS

Another important priority is the multispecialty hospital system that supports the graduate medical education programs. These programs are critical to ensuring that adequate medical manpower exists to support our wartime and peacetime missions. These multispecialty hospitals also provide most of the specialty referral capability in the military health service system.

The importance of these projects required to maintain the accreditation of our teaching programs cannot be overstated, even though they are costly, usually require phase funding over several years, and absorb a large portion of the available funds.

MADIGAN ARMY MEDICAL CENTER

Just over 28 percent of the fiscal year 1989 request funds such projects, including the \$72 million required for the fifth phase of the Madigan Army Medical Center replacement at Fort Lewis, WA. The funds requested for Madigan is \$13 million more than was included in the Department's original fiscal year 1988-89 biannual budget but is re-

quired to support the construction contractor's current progress. He is well ahead of schedule.

BROOKE ARMY MEDICAL CENTER REPLACEMENT

We are also asking for \$23 million in appropriations for the second phase of the much-needed replacement for Brooke Army Medical Center, Fort Sam Houston, TX. The Congress authorized \$241 million in fiscal year 1988 plus \$8.6 million for the supporting access road. These fiscal year 1989 funds will continue site preparation work begun in fiscal year 1987 and will support the construction of the central heating and air-conditioning plant.

Because of our focus on medical readiness overseas, medically underserved locations and multispecialty hospitals as high priorities, the funds for all other program requirements were limited to 12 percent or \$30 million for nine separate projects.

This is not to say that we do not have significant deficiencies at many of our other facilities. Changes in construction, life safety codes, new technology, changing populations, and changing missions combine to require that facilities, particularly health care facilities, be modernized or replaced on a reasonable cycle.

It is essential that we maintain modern and appropriate health care facilities to increase the productivity of our limited medical manpower. Our fiscal year 1989 request is far from unreasonable given the size and responsibilities of the military health service system.

There are in excess of 1,100 facilities in our inventory ranging from small medical aid stations to 16 multispecialty teaching centers. The current replacement value of this inventory is over \$16 billion, while the historical funding rate for medical facility construction in DOD over the last 15 years when considered in constant dollars has been just over \$300 million.

This level of funding replaces the existing physical plants on a 55-year cycle and does not keep pace with the accelerated requirements for modernization or replacing the inventory, particularly with additional requirements for medical contingency facilities.

I do not believe any of us would agree that medical facilities, the most complex and sophisticated of all our buildings, can be sustained on a 55-year modernization cycle when our civilian counterparts do so every 25 years.

This concludes my opening statement, but, again, we are appreciative of this subcommittee's support for construction of DOD medical facilities which directly impacts the safety and well-being of our military families around the world. We ask you to look favorably on this year's request and thank you again for the opportunity to appear before you.

[The statement follows:]

PREPARED STATEMENT OF GORDON K. DOWERY
DIRECTOR
DEFENSE MEDICAL FACILITIES OFFICE

Mr. Chairman and members of the Subcommittee

I am Mr. Gordon Dowery, the Director of the Defense Medical Facilities Office (DMFO). On behalf of Dr. William Mayer, the Assistant Secretary of Defense for Health Affairs (ASD(HA)), I thank you for the opportunity to present the Department of Defense's Fiscal Year 1989 Medical Military Construction Program budget request of \$333 million. I would like to acknowledge the contribution that this Subcommittee has made in supporting the Department's efforts to improve the condition of our medical facilities worldwide. However, despite our recent progress, we still have major medical facility deficiencies that will not be addressed through this budget request.

The DMFO is responsible for the planning, selection and prioritization of all DoD medical construction projects, and the allocation of funds appropriated by the Congress for these projects. The medical projects requested reflect the overall priorities and needs of DoD. In this regard, the Department is committed to provide appropriate health care facilities to maintain the highest degree of combat effectiveness in the military force; to provide quality health care to active duty personnel, their dependents, and other authorized beneficiaries; to provide essential teaching and training for the military medical force; and to ensure that sufficient capacity exists to support mobilization for a national emergency.

In prioritizing our construction requirements, we place the greatest emphasis on projects supporting the prepositioning of medical contingency capabilities; projects at locations overseas and at home where our beneficiaries do not have adequate alternative sources of health care; projects providing essential teaching and training of our medical force; and projects to modernize or replace facilities supporting the operational and training missions.

Readiness

As last year, our FY 1989 request places a significant emphasis on prepositioning medical readiness assets. The readiness projects are sited at locations where there is a contingency bed shortfall, and they support the Worldwide Plan for Medical Mobilization and Contingency Facilities. Host Nations have provided sites at no cost to the United States to support these projects. The Department is also committed to funding medical projects required to support the scheduled beddown of new operational missions. Together these categories account for almost 13 percent of the FY 1989 request.

The construction investment supporting the prepositioning of readiness assets is timed to the approved funding and procurement of the Deployable Medical Systems (DEPMEDS). The

objective of the DEPMEDS program is to provide sufficient beds for the United States to provide medical support to U.S. Forces should they be engaged in combat. The program will help correct the current shortfall of beds in the European and Pacific theaters which has been cited as a major readiness deficiency. In 1984, the Department made a landmark decision to accelerate the procurement of these systems over a five year period. Where facilities cannot be obtained through host nation support or where expansion of existing facilities cannot accommodate this equipment, military construction for storage and, in some instances, operation of the DEPMEDS is required at or near the point of intended use. This construction is tailored to the Services' concept of operation at each location. Without this construction support, the DEPMEDS would have to be stored in the United States, significantly delaying our capability to treat casualties in theater.

The Department, through the Unified Commands, is working to obtain host nation construction support. At the present, the health care and the construction of hospitals and medical facilities is considered a national responsibility. We have had excellent results in the Japanese Facility Improvement Program (JFIP) in obtaining commitments to build U.S. medical facilities. While our peacetime facilities are not likely to become eligible in NATO, we are making progress in that arena for our contingency facilities. For the past year we have been actively pursuing eligibility for our contingency projects for funding through the NATO Infrastructure Program in the Reinforcement Support Category. Progress is being made and I hope to report to you in the future that our contingency facilities are eligible. All necessary documentation has been completed and the Commander-in-Chief U.S. European Command has begun briefing our requirements to the major NATO subordinate commanders as the next step in the eligibility process. In the interim, because the DEPMEDS are in the procurement pipeline and the requirement so urgent, we will continue to seek MILCON funding while submitting precautionary prefinancing statements to the NATO Payments and Progress Committee. This will protect any future potential for recoupment of some or all construction cost while the efforts to determine eligibility for NATO funding continue. Taking into account the normal procedures for obtaining approval from the NATO nations, if eligibility was approved Infrastructure funds would not be available until at least the next six-year funding cycle beginning in 1991.

We hope you will continue your past funding of the Department's requests for the construction to preposition medical readiness materiel. Between FY 1984-FY 1986 funds were authorized and appropriated by Congress to fund twelve projects which provide storage of second echelon medical materiel. In 1985 the Congress authorized and funded the Department's first two construction projects supporting prepositioning contingency hospitals, the Medical Contingency Complex at Kimhae, Korea and the Fleet Hospital Support Facility on Guam. In 1988 the Congress continued its show of support by authorizing and funding two Fleet Hospital projects in Europe and five more facilities to store second echelon medical materiel.

Overseas

The provision of health care at locations where appropriate alternative sources are not available ranks as our next highest construction priority. This category includes medical facilities, predominantly overseas, which are among the oldest in the inventory and, historically, have not received adequate military construction funding. They provide neither an acceptable environment for the provision of quality care nor the capability to meet their full wartime missions. We have also incorporated into many of our overseas projects features necessary for these facilities to expand their missions for contingencies. To achieve these objectives 46 percent of the FY 1989 budget is requested for overseas projects.

Our efforts to improve medical facilities in Europe are an excellent example of our commitment to overseas investment. Fully 15 percent of our hospitals and 20 percent of our clinics are there. The Army, alone, has 30 percent of its force structure in Europe. And yet most of our facilities were constructed before 1960, many date back before World War II. The record of medical military construction investment in Europe has been dismal. In the fiscal year 1988 appropriation action for medical construction, over \$100 million was cut from the Department's request. Every project deleted from our request was overseas. I implore you not to let this happen again. We are committed to correcting these serious deficiencies. We feel the Department has a responsibility to our people at these locations.

Unfortunately, today there is an increasing price we must pay for overseas construction. The continuing decline of the dollar is having a major negative impact on our budget request, as well as on the FY 1988 program you funded. A good example is the exchange rate for our projects in Germany. These projects, and those in FY 1988, were budgeted at 2.06 DM per dollar. If the actual payout is at today's approximate exchange rate of 1.62 DM per dollar, there will be a 20 percent increase in construction cost in Germany alone. We estimate that the impact on our entire overseas program could be a deficit of \$6.8 million in FY 1988 and about \$27.7 million in FY 1989. In FY 1987 a currency fluctuation account was established within the Department. We have been directed to capitalize this account with unobligated balances from prior years. Since this Office assumed program responsibility with the FY 1987 program, we have limited funds from which to draw. It is likely that we will be required to defer the award of some projects to avoid overobligation.

Graduate Medical Education

The projects at our multi-specialty hospitals that support graduate medical education programs are a high priority of the Department. These programs are critical to ensuring that adequate medical manpower exists to meet the medical wartime missions. These programs also provide most of the specialty referral capability in the Military Health Services System. The importance of the projects, required to maintain the accreditation of the teaching programs, cannot be overstated.

even though they are costly, usually require phased funding over several years, and absorb a large portion of available funds. Just over 28 percent of the FY 1989 request funds such projects.

Stable Investment

Because of the focus on medical readiness, overseas and medically underserved locations, and teaching and training projects, the funds for all other program requirements were limited to about 12 percent in FY 1989. This is not to say that we do not have significant deficiencies at many of our other facilities. Revisions in construction and life safety codes, new technology, changing populations and changing missions combine to require that facilities, particularly health care facilities, be modernized or replaced on a reasonable cycle. This is essential to maintain an acceptable standard of health care delivery and to increase the productivity of our medical manpower.

Our FY 1989 request is far from unreasonable given the size and scope of the Military Health Services System. There are in excess of 1,100 facilities in our inventory ranging from small medical aid stations to sixteen major teaching centers that support our Graduate Medical Education Programs. The current replacement value of this inventory is over \$16 billion. The historical funding for medical facilities in DoD over the last fifteen years has been just over \$300 million in FY 1988 dollars. This has not kept pace with the accelerated requirements for modernizing or replacing the inventory, particularly with the additional requirements for medical contingency facilities.

I do not believe that any of us would agree that medical facilities, the most complex and sophisticated of all our buildings, can be sustained on a 50-year modernization cycle. Changes in patterns of health care delivery, advancing medical technologies and even our aging building support systems drive us to update our medical facilities more frequently. I personally believe that a 25-year modernization cycle, a four percent rate, is the ideal for medical facilities. This rate would allow us to keep pace with rapid changes in technology which are so prevalent in medical science and to sustain our aging physical plant. The costs for this effort are high, however. On a 50-year modernization cycle, the Department requires a minimum of \$320 million per year just to sustain already existing facilities. If annual medical military construction appropriations are less than this, the age of our physical plant will extend beyond 50 years. Further, if the cost of medical facilities to support new missions is added to the \$320 million, we must have, on average, \$340 per year for medical construction for a 50-year modernization rate. The correct investment required to reduce the age and dysfunction of medical facilities is at least twice this amount, or over \$600 million per year. There must be a maintenance level of investment in the current fiscal environment. Unless we are willing to increase our investment in medical physical plant above our historic averages, we cannot significantly improve the health care environment of our servicemen and women above what it is today. Further, the investment must be stable. A

sustained, appropriate level of effort in the range of \$450 million per year rather than sporadic, varying funding of medical construction will allow us to appropriately support this critical program, begin to reverse the trend toward older facilities, and allow us to meet our readiness and new mission responsibilities.

Military Construction Timeline

Another major interest to the Department is the need to reduce the timeline to deliver a health care facility. The current MILCON process can take up to ten years to deliver a complete and usable facility. This includes the time the project is in the five-year program (5 years), the time required for planning (up to 19 months if economic analysis (EA) required), design (28 months), the PBD Budget Process (6 months), Congressional review and approval after designs reach 35 percent design (up to 12 months) and construction (18-48 months depending on project size). In comparing these time frames to the private sector, the Blue Ribbon Panel on Sizing Department of Defense Medical Facilities recommended that the Department take steps to reduce the time required to deliver medical facilities. However, as part of a larger system, Medical MILCON must meet all requirements of the Federal Acquisition Regulations and Brooks Act that govern the procurement of economic analyses, construction, and design contracts.

Although the potential for drastically reducing the current MILCON timeline is not great, we have reduced the planning time by six months and Congress has given us two important new aids. One is the establishment of the Design/Build authority for use by the Defense Medical Facilities Office for up to three such projects per year. We will purpose two such projects under this authority in FY 1990, our first opportunity to use this authority. The other is the inclusion of medical facilities and services in the functions authorized to utilize third party financing. We are also investing in studies for the use of standardized designs by all three Military Departments to expedite the design process. The reality of budgetary constraints demands that we maximize the utilization of available resources to provide facilities that are modern, efficient, and result in higher productivity of our people. We will continue to pursue every possible opportunity to reduce the time required to deliver complete and usable facilities.

FY 1989 Budget Request

At this point I would like to tie the major projects in our FY 1989 budget request with the Department's priorities I have outlined. First, in the support of the Worldwide Plan for Medical Mobilization and Contingency Facilities for DEPMEDS prepositioning, we are requesting \$20.3 million to construct both a facility for a 500-bed medical contingency complex and a 500-bed Fleet Hospital support facility at classified locations; and \$11.0 million for a 500-bed Fleet Hospital storage facility on Guam in the Mariana Islands. We are also asking for just under \$1.7 million for two second echelon storage facilities in the European theater like those previously funded by the

Congress and \$.8 million for a War Readiness Materiel facility at Tyndall Air Force Base, Florida.

The most significant investment in our FY 1989 program is overseas where we are requesting funding of \$153.4 million. The projects we are requesting will correct the worst collection of deficiencies in our inventory. In the European theater, the \$93.2 million request provides replacement dispensaries and dental clinics in Germany at Downs Barracks, Patch Barracks, Rhein-Main, and Wildflecken and a replacement dental clinic at Baumholder; hospitals at Hahn Air Base, Germany and Lakenheath, United Kingdom; and a new clinic at High Wycombe Air Station, United Kingdom. These projects will dramatically improve the quality of life and the environment for delivering health care for our service personnel and their families at these locations.

In the Pacific theater similar medical facility conditions exist with miles of ocean separating these installations from alternative medical support. The FY 1989 request of \$60.2 million focuses on Korea. We are requesting funds to support a replacement Hospital at Seoul, a Medical-Dental Clinic replacement at Taegu Air Base, and a Troop Aid Station at Camp Howze. These projects, long overdue in support of the active duty personnel and their families who serve on our behalf at these locations, will not only replace inadequate 30-year old structures, but will provide us with an improved medical readiness capability.

While some of our most serious medical facility deficiencies are at our overseas installations, we have devoted a significant investment within the United States. The FY 1989 request includes \$72 million to fund the fifth phase of the Madigan Army Medical Center replacement at Fort Lewis, Washington. We are also asking for \$23.0 million in appropriation for the second phase of the much needed replacement for Brooke Army Medical Center, Fort Sam Houston, Texas. The Congress authorized \$241 million in FY 1988 for this project plus \$8.6 million for the supporting access road. These FY 1989 funds will continue the site preparation work begun in FY 1987 and will support construction of the central heating and air conditioning plant. I am sure that most of the members are aware that on 3 March 1988 Dr. Mayer authorized construction of the BAMC replacement at 450 beds as part of the 1200-bed San Antonio Joint Military Medical Command. This decision will adequately meet the health care needs of the San Antonio community and preserve our commitment to Graduate Medical Education and trauma care. Our FY 1989 request for Brooke supports this decision.

Several other FY 1989 projects warrant highlighting. The life safety code projects at Corpus Christi Naval Air Station, Texas; Dyess Air Force Base, Texas; and Seymour Johnson Air Force Base, North Carolina and the seismic upgrade project at March Air Force Base, California continue our commitment initiated in FY 1988 to correct specific life safety and building code deficiencies at medical treatment facilities throughout the inventory, particularly at locations where facility conditions threaten continued accreditation by the Joint Commission on Accreditation of Hospitals.

The FY 1989 request also identifies nearly \$30 million to improve the medical and dental facilities that provide health care to personnel at our operational and training bases within the United States. The \$1.45 million request at Fort Leonard Wood, Missouri will provide an addition to and alteration of the laboratory and pharmacy spaces of the existing facility, which is located in a medically underserved and isolated area. Additionally, we are proposing a replacement Medical-Dental Clinic at Treasure Island Naval Station, California to replace World War II vintage structures, a replacement Medical Clinic at North Island Naval Air Station, California; and a replacement facility to consolidate medical storage and maintenance requirements at the Naval Hospital, Camp Pendleton, California. Finally, we are proposing to fund an addition for the Dental Clinic at Marine Corps Recruit Depot, Parris Island, South Carolina to provide appropriate support to the recruit training functions.

In summary, we are appreciative of this Subcommittee's support for construction of DoD medical facilities which directly impact on the safety and well-being of the military family around the world. We ask you to look favorably on this year's request.

This concludes my opening statement. Thank you again for the opportunity to appear before you.

HOSPITAL CONSTRUCTION PROJECTS

Senator SASSER. Thank you, Mr. Dowery, for your testimony.

Let me indicate or note that in 1985 the Secretary of Defense, then Secretary Weinberger, approved a plan whereby the Department's Health Affairs Office, which you are representing today, would determine the location, the size, and the timing of hospital construction projects rather than these projects being determined by each of the three services.

What is the history of that decision? Why was it made, and what have been the results, in your judgment?

Mr. DOWERY. My office, the Defense Medical Facilities Office, as a result of that decision, gave us an opportunity to look at the Defense Department's requirements worldwide and establish the priorities. We do take the results of this effort before the three services and validate it.

Senator SASSER. You do take it before the services and validate it before you bring it to Congress?

Mr. DOWERY. Yes, sir.

Senator SASSER. Last month, Mr. Dowery, I asked the Army witnesses if the Health Affairs Office consulted them before submitting the fiscal year 1989 budget, and they answered no, that they had not been consulted, that the Health Affairs Office does not consult with the construction agencies of the Department and only discusses the question of construction with the Surgeons General.

Is there no direct coordination with those in each of the services who are responsible for military base construction?

Mr. DOWERY. Yes, sir; the request or the recommendation for medical facility construction for each of the military departments is submitted to us by the Office of the Secretary of each of the services.

We take that listing and develop our program within the priorities and within the dollars that we have available to develop the program that we bring before you. We take that program back to the military departments and have them review it before it comes forward in the budget.

Senator SASSER. We have had complaints that there is not effective coordination between the Office of Health Affairs and the various services, and the staff of this subcommittee during visits to other military commands has been advised of that.

The reason I bring the matter up is these are very tough budgetary times, as you well know, and we have projects all with great merit, all competing for limited funding. Sometimes it seems that our medical facilities are in a category by themselves.

I would not debate with you the obvious point that we do need adequate medical facilities, but the military construction officers of the various services tell us we need adequate family housing and adequate facilities for training and other facilities for military readiness.

I frankly do not believe that if the commands were given a certain amount of limited budgetary resources that would be funded that they

would necessarily support all of the specific priorities that the Health Affairs Office has laid out in the budget.

NEW HOSPITAL IN KOREA

Let me give you an example. In your testimony, Mr. Dowery, you indicated that in Korea you want to build a new hospital. The Army has cut their request for regular military construction in Korea by two-thirds from the original fiscal year 1989 request that was submitted last year.

It has been made clear to our subcommittee during hearings and in discussions with senior policymakers that the new government in South Korea wants to take over more of its own defense. Frankly, I want to encourage them to do that.

That would mean that we would likely reduce troop strength in South Korea. There is even talk ricocheting around that there would be a very substantial reduction in troop commitment within 2 to 3 years.

In the face of the Army's cuts in their military construction budget in Korea and the trend in Korea toward less United States force structure there, still we have the Health Affairs Office submitting a request for \$55 million for a replacement hospital for Seoul. That is what gives the committee some concern.

I just throw that out for your information.

Mr. DOWERY. If I may, sir, as I said before, the projects coming before us are ranked in priority order by the military departments. The facility for Seoul came ranked very highly by the Army Secretary's office to us for support, and we have provided that support. Our support for those troops in Korea is based on what we understand the staffing to be over there and the numbers of people to be supported.

The facilities, therefore, support that mission as we understand it, and until we have received something different, it is pretty difficult not to provide that support.

Senator SASSER. Let me move on to another subject.

CRISIS IN MILITARY MEDICINE

There is a great deal of concern here on Capitol Hill and out in the country that our military medical operations are not up to par. There was a lot of publicity about that a year or two ago. Some believe that we are really facing a crisis in military medicine.

I do not think that is necessarily so, and I think we have seen some improvements in the not-too-distant past. Certainly there have been efforts made at improvement. But it is true that even with very large financial bonuses, you do have difficulty in attracting and retaining competent, qualified doctors and other medical personnel. This is understandable given the wide disparity between military and Government salaries and what competent physicians and medical personnel can earn in the civilian economy.

Some suggestions have been made that perhaps the time has come when we need to look at the prospect of contracting out or using third

parties not only to construct but also to operate military medical facilities.

I am not advocating that as a goal today, but I am saying that it is an idea that we perhaps ought to examine. If we can contract out medical facility construction and operation with a net savings to the Government and still provide for proper medical care during wartime or time of national crisis, then I think we ought to be examining such proposals and considering them.

Has the Department ever looked at the potential of third-party financing and operation, Mr. Dowery?

Mr. DOWERY. In the fiscal year 1988 bill, we received this authority. We were looking for a candidate for a project for leasing of medical facilities or for construction of a medical facility. We have not yet found that candidate. However, the provision in law exists for us to do it, and we are looking for other ways to provide medical facilities.

With regard to the conditions of our facilities today and their relationship to the civilian authorities, I think you represented that very well. The problem is the bottom line of what they can earn.

Senator SASSER. This is not a new problem for us now. This is one that has been around for a long time. Perhaps it has become more acute in recent years. I would have to see some figures on that to make a real judgment, but I believe this has been a problem that has been around for a great number of years.

Mr. Dowery, I want to thank you for appearing here this morning. You have presented a very substantial budget, one which would initiate a number of new starts. This subcommittee will have to review your proposal very carefully given the very limited budgetary constraints that we have to operate under this year.

Thank you very much for appearing.

Mr. DOWERY. Thank you, sir.

Senator SASSER. I want to thank all of our witnesses this morning.

SUBMITTED QUESTIONS

The committee has additional questions which we will ask you to answer for the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR REID

Question. What is the status of the Air Force/Veterans Administration Joint Venture hospital at Nellis Air Force Base? What is the projected usable completion date for this facility?

Answer. The Joint Venture project at Nellis AFB is currently under concept design. The design is scheduled to be 35 percent complete in October, 1988. The Nellis project is programmed in the Defense Medical Military Construction program as a FY90 project. The projected usable completion date of this facility is October, 1992.

Question. Why was the Air Force/VA hospital at Nellis not included in the FY 89 Budget Request?

Answer. Military construction projects must be at least 35 percent designed prior to submission to Congress in the Department's Budget request. This project is projected to be at 35 percent design in October 1988. Nellis was not included in the FY89 Budget request because detailed space planning and design that must be done on all medical construction projects was incomplete. The lengthy planning process and the necessity to ensure that the Department of Defense and the Veterans Administration construction funding for this project were programmed in the same budget year made FY90 the earliest practical year for project execution.

Question. Project documentation (DD Form 1391) for the Air Force/VA hospital dated 1 April 1987 indicated a scope of 318,500 square feet. Revised project documentation dated 25 February 1988 indicates a reduced scope of 303,100 square feet. Why has the scope of this project been reduced from 318,500 square feet to 303,100 square feet? What will this reduction in scope mean in terms of the number of patients this facility can serve?

Answer. In September, 1986, the Defense Medical Facilities Office (DMFO) approved a request for an integrated joint venture facility between the Air Force and the Veterans Administration at Nellis Air Force Base. This agreement required a change in design from the original 83-bed Air Force hospital to a 135-bed joint venture facility. The initial programmed scope for the 135-bed facility was 318,500 Gross Square Feet (GSF). The DD Form 1391 dated 1 April 1987 reflected that total scope. In August 1987, it was determined that the DoD and the VA would each program for their share of the Nellis hospital in their respective budgets. The revised documentation reflected the DoD share of the project.

The DoD share of the project has since been reduced. The change is a direct result of the planned deactivation of the 474th Tactical Fighter Wing. With the deactivation of the wing, the population served by Nellis AFB Hospital will

decrease. A planning analysis shows that the revised population will only require 76 beds to support their health care needs at the same level described in the project. In addition, the outpatient clinic will decrease by 1100 GSF. As a result, the planned project is now a 128-bed (76 Air Force and 52 Veterans Administration), 44-Dental Treatment Room, joint venture facility. The scope for the total project is 342,648 GSF. The Veterans Administration portion of this facility is 43,351 GSF. The USAF portion of the facility is 299,297 GSF. The USAF portion includes space for WRM storage and an ambulance shelter. This scope may undergo further changes as the building is refined and the design reaches 35 percent completion.

Question. Mr. Dowery your testimony indicates that your agency has had excellent results in obtaining commitments to build U.S. medical facilities through the Japanese Facility Improvement Program (JFIP). What are some examples of the commitments you have received? What are the costs of these commitments?

Answer. The Government of Japan (GOJ), through its Japanese Facility Improvement Program (JFIP), is expected to begin design in August 1988 on a project to replace the existing hospital at Misawa Air Base, Japan. Although early in the planning stages the estimated cost of this project to the Host Nation is approximately \$30 million. Examples of other JFIP medical projects approved to date include a project for \$2.6 million to provide administrative offices and a Frozen Blood Facility on Okinawa, Japan in support of the PACOM Joint Blood Program; a Medical/Dental Clinic project at Iwakuni Marine Corps Air Station for \$8.4 million; and a project for \$17.2 million to provide Fleet Hospital Support Facilities on White Beach, Okinawa. There are other medical facilities construction projects included in the current \$500 million JFIP program, but firm commitments from the GOJ have not been received by the United States Government to fund these projects.

Question. The Defense Medical Facilities Office FY-89 Budget Request includes \$153.4 million for overseas investments. Besides Japan, are we getting any assistance from other countries where we are making overseas MILCON investments for medical facilities?

Answer. Japan is one overseas location where our medical facilities now qualify for peacetime Host Nation (HN) funding assistance. Unfortunately, peacetime medical facilities in other overseas locations, such as those in Europe, are largely ineligible for HN funding. However, progress is being made by the Department in obtaining commitments for NATO funding for our medical contingency facilities in Europe. The Korean Defense Improvement Program (KDIP) only provides funding at U.S. installations in the Republic of Korea for those projects that are directly related to wartime mission requirements. U.S. medical facilities in Korea do not meet this criteria. In other countries where Status of Forces agreements exist, medical care and the facilities to support that care are considered a national responsibility.

Question. Mr. Dowery your testimony also indicates that your agency is investing in studies for the use of standardized designs by all three military departments to expedite the design process. How much time do you anticipate that this process will save? Why has this method of standardization not been pursued in prior years?

Answer. Since its creation in 1986, the Defense Medical Facilities Office (DMFO) has taken an active role in efforts to streamline the design process.

An excellent example of an innovative approach to expediting a facility design is an ongoing project by the Naval Facilities Engineering Command to develop a Modular Expert Design System for medical clinics. The anticipated time saving under this process is approximately four to six months during design development. The Army and the Air Force are working on the improvement of existing standardized layouts of various sizes of dental clinics. We believe that there are also opportunities to save time and design cost with projects such as Fleet Hospitals and Medical Contingency Hospitals because equipment packages have been standardized for various hospital sizes. Use of standardized layouts to support these requirements should save two to four months of design time and reduce the design cost.

Efforts to standardize concepts and layouts were going on prior to the creation of DMFO. Because these initiatives were handled within the Services, with limited coordination, they did not receive the level of visibility and support that they now have. The budgetary constraints that we face compel us to maximize the use of all available resources and continue our pursuit of opportunities to reduce the time it takes to deliver a complete and usable facility.

SUBCOMMITTEE RECESS

Senator SASSER. This hearing concludes the hearings scheduled for this subcommittee this year. As I indicated earlier this morning, it is our intention to proceed to markup no later than June 14 so we can avoid putting a military construction bill on a continuing resolution. We want our bill to be passed by both Houses and signed into law by the President.

This hearing is recessed.

[Whereupon, at 11:45 a.m., Wednesday, May 11, the subcommittee was recessed, to reconvene at the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, MAY 25, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

(EXECUTIVE SESSION)

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE NAVY

The subcommittee met in executive session at 2:04 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding.

Present: Senators Sasser, Inouye, Reid, Specter, Garn, and Stevens.

Also present: Senators Bumpers, Mikulski, Pryor, Boren, Sarbanes, and Nickles.

HOME BASING NAVY'S E-6A TACAMO AIRCRAFT

STATEMENT OF HON. H. LAWRENCE GARRETT III, UNDER SECRETARY OF
THE NAVY

ACCOMPANIED BY REAR ADM. ROGER L. RICH, JR., USN, DIRECTOR,
NAVAL COMMUNICATIONS DIVISION, OFFICE OF THE CHIEF OF
NAVAL OPERATIONS

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The subcommittee will come to order. Our distinguished ranking member, Senator Specter, is on his way, and I indicated to him we would go ahead. He is ably represented here by Senator Stevens, in any case. He should be along in just a matter of moments, he indicated.

We are going to have a two-part hearing this afternoon. We will have our first hearing in this room, of course, a classified hearing, and then move to Dirksen room 138.

I have asked the Navy today to provide the subcommittee with a classified briefing on the TACAMO concept of operations and why, in the view of the Navy, the main operating basing should be located

inside the continental United States instead of in coastal regions where it is presently located.

I have asked us to gather in this room for the classified session, and I would urge that we try to conclude around 2:30 or as close thereto as possible so we can go to 138 for the open session. So I would ask the briefers to begin, if they would, identify themselves for the record, and we are pleased to welcome our distinguished colleague from Arkansas, Senator Bumpers, here today. I notice we are being joined by Senator Nickles of Oklahoma. This is a matter that has generated some small interests here in the Senate as some of you know.

So we will proceed, gentlemen. Who wishes to go first. Mr. Garrett?

OPERATIONS CONCEPTS

Mr. GARRETT. Thank you, Mr. Chairman, I think Admiral Rich from the Navy will provide the briefing on the concept of operations.

Admiral RICH. Thank you, sir. Senator, I am Admiral Rich, Director of Naval Communications and, as such, I am the sponsor for the TACAMO program within OPNAV. Your staff should have, and if they have not, will be providing you very shortly with a copy of the sheets that I will be talking from in my brief today.

Basically, the TACAMO operation—

Senator BUMPERS. Admiral, are you speaking extemporaneously from notes?

Admiral RICH. No, sir; I am speaking from prepared notes. Your staff should be providing you a copy. They were copying them about 5 minutes ago. They have not come in yet?

Senator SASSER. I have not seen anything here.

Admiral RICH. I am sorry. Your staff was making copies about 5 minutes ago. Would you like to wait until you get copies, sir?

Senator SASSER. I think we have got the copies. Just distribute those, and you may proceed, Admiral.

Admiral RICH. Thank you.

FLEET BALLISTIC MISSILE SUBMARINE OPERATING AREAS

The first sheet of the briefing is just a depiction of the fleet ballistic missile submarine operating areas where we deploy our fleet ballistic missile submarines. This puts them in the best position to be able to carry out their assigned missions. Of course, wherever the FBM's are operated determines where the TACAMO aircraft need to operate in order to communicate with them. As you see, in the Atlantic they go a good bit further [deleted] of the Atlantic than they do the Pacific, but in all instances they go far from our shores.

E-6A TACAMO OPERATIONS

The concept of operations for the E-6A TACAMO consists of principally maintaining the integrity of the TACAMO aircraft and the TACAMO communications system.

Obviously, the largest responsibility of the E-6A aircraft and, presently, the EC-130 aircraft that we have is the initial responsibility; one that must be carried throughout, [deleted] after any attack against the United States. [Deleted.] It is important that we have the aircraft based in Conus at least, preferably not real near the coast. In this manner we can achieve [deleted], in more particular, [deleted].

OPERATIONS CONCEPT

The concept of operations is to have a main operating base at which the training, the squadron, and the general operations would be maintained. This base, however, is not the operating base from which the operational flights normally operate. The flights themselves operate randomly from many, many airports on each coast of the United States. Presently, we have two alert sites which are primary sites for alertment. One is in Bermuda for the east coast, and on the west coast it has just been shifted from Moffett Field down to Travis Air Force Base.

Because of the threat to [deleted], we are planning on moving the alert base as we get the E-6 back to Conus and in particular at this time Patuxent River. But the aircraft themselves are dispersed almost entirely during [deleted]. For instance, on the east coast, there are up to 80 different airfields, military and civilian, that these EC-130 aircraft presently operate from. At any given time, you can plan on at least 56 of those airports, but they are capable of operating out of any of them. On the west coast there are approximately 27 airports, predominantly on the west coast, military, that the TACAMO aircraft operate from.

These aircraft never operate in any pattern. They never operate over the same flight path. They never schedule any sequence of bases in the same order. So that at any given time virtually no one could determine [deleted].

There are also various operating scenarios, so that [deleted].

Obviously, in a stressed environment or if we were under threat from attack, [deleted]. This is to protect that aircraft. We also have to protect the support systems—that is, the parts and the supplies and the ability to get them, even in periods of attack against the United States.

TACAMO MISSION

For the TACAMO mission, as opposed to almost any other that we have in our Nation, [deleted]. To do this, we must obviously protect against attack and we must ensure that survivability of the TACAMO aircraft. In the concept of operations, in a wartime scenario [deleted], and this is obviously key to any operations and it is key to the [deleted] of the fleet ballistic missile submarines.

This assures the connectivity that we must have to the SSBN's; insuring their survivability and their ability to carry out whatever is required of them on their assigned targets in wartime. But this must be and is the survivable and enduring communications link to our fleet ballistic missile submarines. When I say survivable, it is required by JCS op order that the [deleted]. That does not mean necessarily keeping an air-

craft [deleted], but having the capability available for at least [deleted] after the beginning of war.

C-130 OPERATIONS

Presently, the C-130's operate on a 100-percent airborne status, 100 percent airborne meaning that 24 hours a day, 365 days a year, we have an EC-130 airborne on each coast to communicate with our FBM's submarines. The difference in airborne and the requirement for the E-6A TACAMO is that the E-6A will be required to operate [deleted] with the EC-130, due to the [deleted] of that particular aircraft. That requirement is, of course, driven by JCS op orders, in particular [deleted]. The requirement for the E-6A translates back, to the [deleted] earlier in this decade. So the E-6A will be required to remain [deleted] 24 hours a day on each coast, 365 days a year.

To do this, and to ensure that the capability lasts [deleted] we must take every step that we can to ensure its survivability.

The next sheet will give you a comparison of the two aircraft, which certainly is not the interest of the committee here today, but it does show you why with the E-6A we can meet the requirements and increase the survivability by moving inland.

[Deleted].

BASING OPTIONS

The next sheet of paper should provide you a map just showing the basing options and the one that has been chosen or recommended, with Tinker as the main operating base, with the west coast alert base being Travis Air Force Base, and the east coast alert base being Patuxent River, MD.

As I mentioned earlier, however, the aircraft generally would not be operating at Tinker except for when they are in a maintenance status or in a training status. At any given time, of the eight aircraft assigned to the western Pacific, west coast, [deleted] and only one of that eight would be back at Tinker. For the seven assigned to the east coast, [deleted] and only one would be back at Tinker. One additional aircraft, which is the research and development aircraft, training aircraft or mission aircraft, when required, would also be based at Tinker.

So at any given time there would probably only be three aircraft at Tinker, unless it was in an interim or transition period.

REASONS FOR TINKER AIR FORCE BASE SELECTION

The reason that Tinker was chosen in a basing decision was the availability of on-site depot level maintenance support, and that is quite an advantage when you are a maintenance officer or commanding officer of a squadron to have that capability there. It assures the availability of common test requirement and skills both through the depot and through the fact that the Air Force is also operating a similar and, in many cases, common aircraft in the E-3A, also at Tinker.

It allows for minimum delays in transporting repair parts, because that is where the main depot level is, and that is where your main repair stocks would be. There are advantages which would accrue in several basing options, including Tinker as well as Little Rock, in being colocated for TACAMO squadron training. When you only have two squadrons, the ability to train them both in one training environment so that you are standardized and so that you can use the same equipment, is not only efficient but allows for better training and better operations.

There is also, of course, the availability of a pool of Air Force experts who are experts on the air frame of the current E-3 airplane, and the depot level maintenance people would be there to assist in any unforeseen problems that came up.

Last, the reason that TACAMO basing at Tinker was chosen was that it turned out to be the least costly in overall life cycle costs of the bases we looked at.

The last page is the delivery schedule for the E-6A. Presently, four aircraft are off the delivery line. Two of them have flown, and I am not sure about the third and fourth, whether they have flown at this time.

That concludes my remarks on the operational functions of the TACAMO. I would be happy to answer any questions.

Senator SASSER. Secretary Garrett, I assume you have nothing to add to this briefing, or do you?

Mr. GARRETT. Not to the operational briefing. I have certain remarks in my opening statement which I was going to reserve for the open session.

Senator SASSER. Reserve for the open session?

Mr. GARRETT. Yes, sir.

Senator SASSER. Do you have anything to add to this, Secretary McGovern?

Mr. MCGOVERN. No, sir.

Senator SASSER. To those of my colleagues who have joined us since we began, this is a closed, classified briefing, and all staff who are here, I am advised, are cleared, have top secret clearance.

We will move from this hearing, I hope as expeditiously as we can, to another room for the open session which will follow, hopefully in short order.

Admiral, thank you very much for your briefing. I do have a number of questions I would like to ask, and I am going to exercise my prerogative as chairman to ask these questions and perhaps establish some ground rules here, and they will be that the members of the subcommittee obviously will be first to question the witnesses, if they wish, to be followed by members of the full Appropriations Committee. We think being a member of the full Appropriations Committee ought to confer some prerogative, other than a wrestling bout with these 302 allocations. And then we will go to members, alternating sides as they arrive.

LOCATION OF MAIN OPERATING BASES

I will begin by just asking this question and address this to you, Secretary Garrett. The Defense Appropriations Subcommittee held a special hearing on May 15, 1985, on the whole issue of whether to buy the E-6A aircraft to replace the C-130 TACAMO's we are using now. I remember that hearing well. In response to a question submitted for the record, then-Assistant Secretary of Defense Donald Latham wrote, and I quote: "It is planned that the E-6A's will have the same main operating bases as the current EC-130's."

So my questions is this. What happened between May 1985 and mid-1986, when the decision was made to move the main operating bases and what intelligence did you have that made the Navy determine that such a drastic step and such a change in the planned concept of operation was necessary?

Mr. GARRETT. Mr. Chairman, I cannot speak to what happened in OSD in 1985. I know that at that time Secretary Latham was very supportive of the E-6A program and continues to be. My understanding, going back over the history and the evolution of this process, is that while it may have been the initial plan, there were subsequent visitations, if you will, to the issue. They continue today, obviously. And the plans evolved over time to consolidate both from an operational point of view as well as a cost-effective point of view, with the ultimate decision being made in the recent past that the Navy would be best served and the Nation would be best served by having a single site, mother base if you will, at Tinker, with the alert bases on the east and west coasts.

That is about all I can say as to the history because I was not a participant in the evolution as it was ongoing.

NARRATIVE OF NAVY DECISIONS

Senator SASSER. Well, I would ask you, Mr. Secretary, if you would, to provide a specific narrative which I think can be reconstructed and provided for this classified record which would outline the meetings and decisions and memos, intelligence, et cetera, in chronological order which led to the decision to go inland.

I say this because this is a very important point. The Secretary of the Navy testifies one thing when he was convincing the Defense Appropriations Subcommittee of the wisdom of buying these new aircraft, but when we got to the business of providing the military construction to house them then we decided to move the base, the Navy did, and I think the committee deserves to know what process the Navy used in the decisionmaking which led to changing their opinion.

And I think a number of my colleagues here would be interested in knowing, too. Could you provide us with the specific details which led to that changed decision?

Mr. GARRETT. Do you want that in the form, Mr. Chairman, that the GAO provided in their appendix to the report in 1987, essentially—that sort of chronological statement?

Senator SASSER. That would be satisfactory.

Mr. GARRETT. I would be happy to do that.

[CLERK'S NOTE.—The information appears on page 521.]

THREAT ASSESSMENT

Senator SASSER. Now let me ask you this. Has there been any new intelligence which would change the Navy's assessment of the threat? I have heard, for example, that in the last 6 months intelligence assessments indicate the [deleted]. Have you seen anything to indicate [deleted].

Mr. GARRETT. I have seen nothing to indicate that the [deleted], Mr. Chairman.

Senator SASSER. Let me ask you this question, Secretary McGovern, and put you on the hot seat here for a moment.

MISSION AT HICKAM AIR FORCE BASE

You have heard the Navy's testimony here today, and they are indicating, I think, that from their standpoint the coasts are too vulnerable and for that reason they want to try to move into the continental United States to base some of these TACAMO's at Tinker.

Now, the Air Force maintains some very important national command authority communications missions and aircraft in Hawaii at Hickam Air Force Base. If I am not mistaken, the mission of these aircraft is somewhat similar to the TACAMO mission; is that correct?

Mr. MCGOVERN. There are some, yes, sir.

Senator SASSER. What is the nature of the mission at Hickam Air Force Base for these aircraft that are similar to the TACAMO's?

Mr. MCGOVERN. Well, you know, obviously we have some reconnaissance aircraft. We have some [deleted] at Hickam Air Force Base. I think the issue, though, with the vulnerability in Hawaii was part of the reason that the Navy decided to move their assets away from Hawaii, because of the projected threat—[deleted]—emanating from the Soviet Union. And we have also found, and I think one of the concerns that we have in the Air Force, is that in the late 1960's and early 1970's we shut down a lot of our bases in the central United States and are finding that with the Soviet threat, [deleted] et cetera, we wish we had some of those bases still open.

Senator SASSER. You have got an [deleted] operating out of Hickam, do you not?

Mr. MCGOVERN. Correct.

Senator SASSER. Well, is the Air Force going to move those aircraft and move some of its missions inland, or are you going to leave them in Hawaii?

Mr. MCGOVERN. We have no present plans to move them, sir.

Senator SASSER. Well, isn't the Air Force just as vulnerable? Isn't this [deleted] and others of these [deleted] just as vulnerable to Soviet advances in [deleted] as the Navy TACAMO?

Mr. McGOVERN. I think if you are pitting the entire Soviet arsenal against any one weapon system you are always going to be vulnerable somewhere, so one cannot just remove their assets from one location just not to be vulnerable. In this case, the E-6 TACAMO has a much more expanded problem in that they have got to maintain [deleted].

MISSION DIFFERENTIALS

Senator SASSER. But in order to diminish the threat, the Air Force is not going to move its aircraft out of Hickam?

Mr. McGOVERN. We have no present plans.

Senator SASSER. Well, I am at a loss as to why Hickam would be acceptable for this [deleted] and some of these [deleted] that the Air Force operates out of there and is not acceptable for the Navy's TACAMO. Would you shed some light on that? Let us see what Mr. Garrett says about that.

Mr. GARRETT. Well, I think essentially, Mr. Chairman, I would view that as sort of a differential in missions. In [deleted], and correct me if I am wrong, Mr. McGovern—you are going to [deleted] whose responsibilities are such that they would be [deleted], I believe, in Hawaii at the time that the balloon went up, if you will.

The mission of the TACAMO is a more generic mission in the sense that we can fly from any base, as was pointed out, with the embarked crew to carry out the absolutely essential communications mission that the TACAMO aircraft carries out.

AIRCRAFT AT PRIMARY ALERT SITES

Senator SASSER. Well, gentlemen, if I understood Rear Admiral Rich correctly—and I will ask you to perhaps amplify on this, Secretary Garrett—let us presume that the Navy proceeds with plans for one main operating base in the midcontinental United States. Now, how many aircraft will be at each of the primary alert sites?

Mr. GARRETT. [Deleted] I believe, sir. Admiral Rich can correct me if I am wrong.

Admiral RICH. Generally speaking, sir, just [deleted] at each alert site. We try when they are out on alert or out on standby status or in random basing, where possible, to not have [deleted].

Senator SASSER. How many will be on each coast?

Admiral RICH. East coast there will be a total assigned to the east coast of seven.

Senator SASSER. On each coast?

Admiral RICH. Seven to the east coast, eight to the west coast, assigned. At any given time [deleted] of those seven or eight will be back at wherever the central base is for maintenance, scheduled maintenance, and things like that.

Senator SASSER. Well, how many aircraft, then, will be at the central base at any one time?

Admiral RICH. [Deleted] generally speaking, [deleted].

Senator SASSER. How many aircraft are we talking about all together?

Admiral RICH. Sixteen.

Mr. GARRETT. Fifteen or sixteen.

AIRCRAFT AT CENTRAL BASE

Senator SASSER. Out of the 15 or 16 aircraft, you are not going to have any more than [deleted] at your central base at any one time, and I assume the central base is going to be used for primary maintenance.

Admiral RICH. Yes, sir.

Senator SASSER. And none of the aircraft at the central base will be on alert, so the majority of the aircraft, then, are going to be deployed at the coastal locations, regardless of the main basing scheme. Is that what I am hearing here today?

Mr. GARRETT. I believe that is correct; yes, sir.

Admiral RICH. Yes, sir; that is correct.

Mr. GARRETT. But they do not, Mr. Chairman, require the infrastructure in their operations on the alert bases that they would have at the main operating base.

Senator SASSER. I understand that, Mr. Secretary, but I was under the impression that we were moving them inland. The rationale for doing that was to protect the aircraft themselves from [deleted] and if we are still going to have [deleted] percent of them deployed to the coast and on alert there, I am wondering how much protection we are really giving them by moving them inland.

But perhaps you can amplify on that as we go along. Why don't I turn now to Senator Stevens and see what questions he might have?

BASING IN HAWAII AND ALASKA

Senator STEVENS. Mr. Chairman, the statement that you have read concerning the insertion for the record as to the planning for the main operating base is correct. There is no question that the chairman's statement is right.

However, in examining the testimony that was given at the hearings—and I am sure my friend from Hawaii will remember—I was quite interested in trying to see if we could obtain the deployment of these aircraft to Alaska.

Secretary Latham stated, "We do not want to base this equipment in the Hawaiian Islands or Alaska. There are too few bases and we believe they are too vulnerable." He then also said that the "bottom line is the Conus basing, we believe, is vital to [deleted]." Then Senator McClure said, "How far inland?" And he said, "We believe we will be able to service the E-6A up to 500 miles inland."

And he made some other conversations about [deleted]. Then he gave us a graph which specifically stated Hawaii and Alaska basing does not support [deleted].

This leads me to join the chairman in suggesting we ought to have that record cleared up as to what really he meant, because he testified one way, and then in the statement for the record in response to spe-

cific questions that were submitted by the committee, he went the other way.

But at the time my question was—I am talking about the 1985 hearings—after he testified that the west coast basing made the E-6A aircraft vulnerable and diminished the utility of the aircraft's longer legs, we discovered that the [deleted] and not in the aircraft themselves. I do not know if you all remember that.

It is my memory that the Navy did not oppose the position of the committee concerning retention of the 130's instead of the E-6A replacements. The Defense Secretary staff came forward and advocated the E-6A's, but we still had serious questions about the [deleted] to utilize the new equipment, which leads me to the question of what progress has been made—and this is classified, gentlemen—what progress has been made to improve the [deleted].

I think really, Mr. McGovern, this is your question rather than the Navy's. Do you remember that problem about [deleted].

Mr. MCGOVERN. I do not.

Admiral RICH. Mr. Chairman, sir, I do not remember that. I have only been in this job 1 year. However, I would tell you that I really do not think it is an Air Force issue. I think it is a Navy issue, and I think we have done improvement in our [deleted] as well as we have planned improvements that will be involved in the E-6A, which will give it better capability to [deleted].

Senator STEVENS. My memory is it got sensitive and we went over to 407 once. Yes; that is this one. That is this hearing. No; this was in 192. We had a session over in 407, as I recall, dealing with the question of the [deleted].

E-6A PROCUREMENT

Now, I take it that the basic underlying assumption ——— is that E-6A procurement for the EC-130's is an accomplished fact and we are not arguing about retaining EC-130's any more?

Mr. GARRETT. That is my understanding, Senator. We have the procurement underway. I think four aircraft are off the line.

Senator STEVENS. So has anyone demonstrated, either to this committee or to the Armed Services Committee, that the [deleted] that we are going to rely on will service the E-6A's as adequately as it has the EC-130's? If they have, I have not been involved.

Admiral RICH. Sir, I guess I would have to know specifically what you are speaking of. However, if you are talking about the [deleted], I am not aware that we have done any improvements in that area, but that is just one of the means of [deleted].

Senator STEVENS. If my memory is right, this committee made a finding that there was a primary shortcoming in the [deleted] and we did not have an objection to the E-6A itself but we at that time advocated the retention of the EC-130's until we were informed that the problem about the [deleted] had been corrected.

Admiral RICH. Sir, I think I can address part of that problem. We are [deleted]. And they are buying that. This is the same [deleted] it will give us an enhanced capability to [deleted]. It is the same system.

OPPOSITION TO E-6A

Senator STEVENS. Well, I would like to expand the chairman's request concerning the history of the basing, main operating base decision, to include a request, if I may, Mr. Chairman, for coverage of this [deleted] problem. My memory and Mr. O'Keefe's memory of that hearing that we helped conduct was that the TACAMO aircraft could [deleted] and that was not sufficient at the time to justify the acquisition of the E-6A, and this committee opposed that at the time.

We opposed the E-6A replacement and advocated retention of the EC-130's in Hawaii because there was no alternative at the time. Now, in between times, there has been a revolution around here and other people conduct hearings and things have gone on a little differently than in the past. We admire the majority, but some of us do not get involved in some information channels, is what I am saying. I am glad this, too, is secret and off the record.

But I was never told why you changed and went ahead with the E-6A's, and I think that is equally important to this consideration, as to whether that glitch has been totally eliminated.

Mr. MCGOVERN. Senator, we will provide all that for the record. My recollection, though, in that debate when I was in another position was that there was some controversy in OSD and the Navy. The issue, however, was not so much the [deleted] themselves—because I think largely [deleted] in both the 130 and the E-6A are [deleted] very similar.

Senator STEVENS. They are the same.

Mr. MCGOVERN. The problem then was the question of dash capability, endurance, and coverage on the EC-130 versus the E-6A, particularly in the Pacific, where that was a big problem. There was concern about the 130's being an older airplane, obviously not having the range, and then there was a very large problem with the [deleted] that could be much more easily accommodated on the 707 aircraft rather than a 130.

It seems to me that was the issue at the time, and OSD, I think quite rightly, decided that in a terribly important and critical [deleted] that we should not go the pennywise and pound foolish on the EC-130, stretching its already stretched capability. I think that was the issue.

Mr. GARRETT. I agree with Mr. McGovern. To my knowledge, essentially [deleted]. What we gain in the E-6A is the vastly increased range, the air speed increase, and the time on station.

GENERAL ACCOUNTING OFFICE TESTIMONY ON EC-130 VERSUS E-6A

Senator STEVENS. My time has expired. But just so you will know what we are talking about, it is the GAO testimony that was presented to the committee in classified session and it led us to the position that was stated in this committee's report at that time.

Admiral RICH. Yes, sir.

Senator STEVENS. I think you should know that as far as I am concerned it is still a serious question. My time is expired.

Admiral RICH. I think [deleted] which is the new system of the same design, is scheduled probably to resolve that problem, but we will have to give you a definite answer.

Mr. GARRETT. We will respond for the record, Senator.

Senator STEVENS. All right. Thank you very much, Mr. Chairman.

[CLERK'S NOTE.—The classified hearing transcript referred to and the information requested for the record is retained in the subcommittee files.]

CNO RECOMMENDATION

Senator SASSER. In keeping with the Chair's ruling that we will call on members of the subcommittee first, we will turn now to Senator Inouye.

Senator INOUE. Thank you very much, Mr. Chairman.

As a general rule, I would be reluctant to question the decision made by DOD on the justification for moving TACAMO to Tinker. And yet I do recall that the initial decision to relocate TACAMO came from the Secretary of the Navy's office rather than from the Office of the Chief of Naval Operations, and I have been led to believe that as a rule the CNO has the direct responsibility for making recommendations for operational deployments and relocating operational functions.

Why wasn't the CNO's recommendation sought before making this decision?

Mr. GARRETT. Senator, I do not know that it was not. I will find out and get back to you on that. I would be surprised if, in fact, the CNO was not consulted and did not, in fact, concur. Maybe the sequence was as you postulated—that is, the Secretary of the Navy making the decision in which the CNO may have concurred. It would surprise me if he did not. I will find out and get back to you.

Senator INOUE. I ask this because I was led to believe that the decision came as a surprise to the CNO. He was not aware of it. He was not asked for his recommendation and he had other ideas.

Mr. GARRETT. I think it is clear at this time, Senator Inouye, that Admiral Trost is supportive, Admiral Hardisty, the Vice Chief, is supportive. I have talked to both of them regarding this issue in the time that I have been in office.

JUSTIFICATION FOR TINKER AIR FORCE BASE CONSIDERATION

Senator INOUE. Listening to the testimony and looking over this visual aid sheet, I would get the impression that the justification for moving the TACAMO operations to Tinker is based on the dependence on the Air Force for maintenance, for stir pots, for specialized skills, expedition of repairs, commonality of skills, logistics, et cetera. And yet Tinker Air Force Base was not one of the 20 bases initially listed by the Air Force for joint use. It was not in the final seven selection either,

and the GAO report states that Tinker Air Force Base indicated that its facilities were not available to the Navy.

And yet you continue to use this justification as the rationale.

Mr. GARRETT. I do not believe that the fact that it was not in the initial universe of 20 air bases that was looked at nor the cut of 7 necessarily negates the conclusion that it may very well be the best possible base. My understanding from discussing this issue with staff who participated in the decision was that early on in the process Tinker was identified to the Secretary of the Navy and others, as the optimum site, notwithstanding the fact that it did not make the cut the first time. As a matter of fact, I do not believe, Senator, that it was the Navy's initial choice either. At least according to the GAO report, it was not.

Senator INOUE. Did you reach any formalized agreement with the Navy—with the Air Force, I mean—before this justification was used in your study?

Mr. GARRETT. I do not know whether a formal agreement was reached with the Air Force before the conclusions were reached. I do not think at this juncture, even though we have been working very closely with the Air Force for many months relative to this issue, that we have a formal memorandum. You can correct me if I am wrong. But those issues have been working and will continue to work, and we will need to reach that point.

But I do not think that necessarily, with all due respect, sir, alters the conclusions.

Senator INOUE. Well, if there is such a high degree of cooperation contemplated in the skills and logistics and operations, why shouldn't we transfer these functions to the Air Force and save that much more money?

Mr. MCGOVERN. Senator, if I can respond to your last question before responding to that one, I think the reason that the Air Force in its universe of possible bases to beddown the E-6 did not list Tinker was that initially the guidance that we had received from the Navy is that they did not want to expend any additional funding, or at least minimize any additional funding that would be required to beddown—Milcon funding that would be required to beddown—the E-6A's.

When they later considered, when somebody had the idea that there may be some both operational advantages and some maintenance advantages in that we have got indigenous maintenance support there at Tinker and they factored that into the overall costs of the program over the life cycle of the program, I think it is at that point that Tinker became a viable option. And, speaking for the Air Force, as long as we could be assured, as we have been, that the Navy would fund any additional requirements that would be peculiar to bedding down the E-6 at Tinker, dollar for dollar, that that would be an acceptable beddown for us.

And that is how that all evolved.

FUTURE OF TINKER AIR FORCE BASE

Senator INOUE. May I ask one more question? If TACAMO is not permitted to relocate at Tinker, what is the future of Tinker?

Mr. McGOVERN. Tinker is a very viable base. We obviously have a major logistics center there. It is a worldwide mission support area for KC-135's, for our weather WC-135's, and our EC-135's. So it is a very viable base.

Senator INOUE. So it is not in any way threatened with closure?

Mr. McGOVERN. No, sir.

Senator INOUE. Thank you very much.

Senator SASSER. Thank you, Senator Inouye.

I would say to my colleagues that this is a classified session, and that if we could confine ourselves to classified questions and reserve the unclassified questions for the unclassified session, we might get through a little faster. Otherwise, given the extraordinary amount of interest in this whole issue, we could be here for a long time. So I would ask the question, are there any of my colleagues on the subcommittee who have specific classified questions they would wish to ask at this time?

Any of our colleagues on the Appropriations Committee who have specific classified questions?

ANTENNA WIRE ON E-6

Senator BUMPERS. One question, Mr. Chairman, just as a matter of personal curiosity. As I understand the E-6—and I do not know whether the 130's you are using now, if this is true or not—but I understand you have an antenna wire that goes out as far as 5 miles behind this plane; is that correct?

Admiral RICH. Yes, sir.

Senator BUMPERS. No. 1, why is it necessary to have such a long wire antenna, and, No. 2, do the Soviets—if you know—do the Soviets have any ability to [deleted].

[Deleted].

Senator BUMPERS. Well, I understand all that. I understand you can penetrate, what [deleted].

Admiral RICH. Yes, sir.

Senator BUMPERS. But my next question is, can the Soviets [deleted]?

Admiral RICH. In some instances, they can [deleted] if we were close enough to their nation. They cannot [deleted] we do not believe, in the area that we are going to be operating in. They would [deleted]. We do not believe they have an airborne capability that would do that.

Senator BUMPERS. If they do, if they develop that, that more or less renders the mission of TACAMO obsolete, does it not? It also renders our SSBN's incommunicado in time of war?

Admiral RICH. [Deleted].

Senator BUMPERS. [Deleted].

Admiral RICH. Yes, sir.

Senator BUMPERS. Thank you, Mr. Chairman.

Senator SASSER. Anyone with a specific classified question that they want to ask now?

MID-CONUS BASING FOR E-6A

Senator NICKLES. Mr. Chairman, a classified question before we go into the open meeting. I might ask Mr. Garrett or the Admiral, either one, is there total, unanimous support for the idea of having a midcontinent operation for the E-6A's?

Mr. GARRETT. It depends, I guess, Senator, on the universe that we describe.

Senator NICKLES. Well, within the Navy?

Mr. GARRETT. Within the Navy I think there is a consensus view that mid-Conus is the place to go. That decision was made, as far as I know, before I came on board as the Under Secretary. I have discussed it with the Chief of Naval Operations and the Vice Chief of Naval Operations, the current Secretary of the Navy, and they are all in agreement.

Senator NICKLES. What about the Chairman of the Joint Chiefs?

Mr. GARRETT. I have not discussed it with the Chairman, but I believe that they, too, support the mid-Conus basing.

Senator NICKLES. To my understanding, that is correct. Thank you very much.

Senator BUMPERS. Mr. Chairman, I do have one additional short question, if I may.

Senator SASSER. A classified question?

Senator BUMPERS. Well, in a sense, yes. Well, it is both. It is classified and a matter of personal curiosity.

Senator SASSER. Classified personal curiosity? The Senator may proceed.

Senator BUMPERS. Just as far as the ability of TACAMO to carry out its mission and from a purely midcontinent geographic criteria, is there any advantage of Little Rock over Tinker or vice versa, completely aside from the Navy report? I am just asking you.

If you go midcontinent, is there any geographical difference?

Mr. GARRETT. As far as carrying out the operational mission? The operational side, I think there are advantages to Tinker.

Senator BUMPERS. I did not ask you operational, Mr. Secretary. I am just asking you—

Mr. GARRETT. From a purely geographic point of view? Probably not.

Senator BUMPERS. Thank you, Mr. Chairman.

Senator SASSER. Thank you. Senator Sarbanes.

Senator SARBANES. Mr. Chairman, I appreciate your courtesy in allowing us to sit in with the subcommittee.

Gentlemen, it is not clear to me where these planes will be at any one particular time, and if that could be sketched out. I take it [deleted] of them will be at Tinker, [deleted] will be at the advance base, and the others will be scattered elsewhere; is that correct?

Mr. GARRETT. On a random basis, that is my understanding, sir. Admiral Rich, I think you addressed that.

Admiral RICH. Yes, sir; I think I addressed that prior to your coming in, Senator. At any given time, there will be approximately [deleted] aircraft at Tinker. Hopefully there will not be [deleted] aircraft at any other base, and they will be [deleted].

Occasionally at the forward alert site you might have two aircraft, if you have one that needs some repair or work but generally speaking there will be one aircraft only at the bases up and down the coast.

Senator SARBANES. Well, wherever their control base is, whether it is midcontinent or coastal, the objective would be to have a minimum number of planes at that location is that correct?

Admiral RICH. Yes, sir.

Senator SARBANES. Thank you, Mr. Chairman.

Senator SASSER. Senator Boren.

Senator BOREN. Thank you, Mr. Chairman.

AIRCRAFT POSITION DURING ALERT STATUS

Following up on that question, when the planes are at the forward alert facility, when the aircraft are there, when they are on alert status, are they on the ground or are they airborne when they are on alert status, during an alert?

Admiral RICH. When they are on alert they are on the ground. We have one aircraft airborne all the time, so you always have another one ready to go behind him. You have one on alert, which is required [deleted]. And usually your standby is an aircraft that has just come off the airborne mission, come back, gotten through with his crew rest and is now available to go again.

Senator BOREN. The forward alert base, would the aircraft there likely be the one that would be capable of [deleted].

Admiral RICH. It could be, but not necessarily, sir.

Senator BOREN. It could be another that could be altered as to which base?

Admiral RICH. Yes, sir.

Senator BOREN. Thank you.

Senator SASSER. Senator Nickles.

REDEPLOYING ANDREWS AIR FORCE BASE AIRCRAFT

Senator NICKLES. Mr. Chairman, one other classified question I might ask Mr. McGovern. Didn't the Air Force redeploy or rebase their command aircraft that was stationed at Andrews? Didn't they move one or two planes inland?

Mr. McGOVERN. Yes, we did, sir.

Senator NICKLES. For security reasons?

Mr. McGOVERN. In all of our planning in terms of our rail garrison deployments and our B-1 deployments and B-2 deployments we are looking at inland basing for the same reasons.

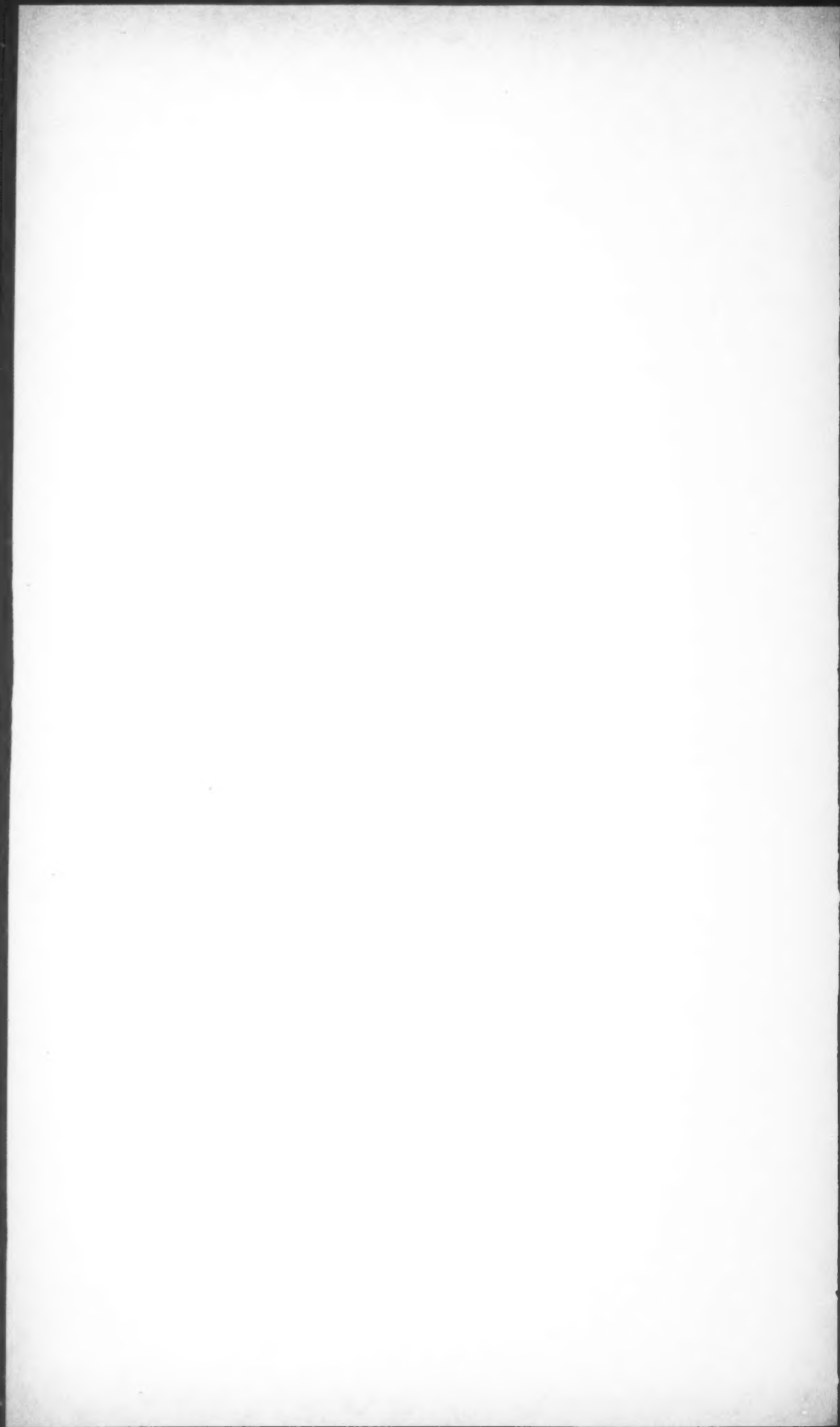
Senator NICKLES. But on the aircraft I just mentioned the command and control aircraft, wasn't that move from Andrews inland?

Mr. McGOVERN. Yes.

Senator NICKLES. Thank you.

Senator SASSER. Well, Senators, if there are no more questions of a classified nature, I thank these witnesses and the committee will stand in brief recess while Senators, witnesses, court reporters, and various members of the entourage repair to room 138.

[Whereupon, at 2:55 p.m., Wednesday, May 25, the subcommittee was recessed, to reconvene in open session.]



(OPEN SESSION)

The subcommittee met at 3:02 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Jim Sasser (chairman) presiding.

Present: Senators Sasser, Inouye, Bumpers, Mikulski, Specter, Stevens, Nickles, Garn, and Reid.

Also present: Senators Pryor, Boren, and Sarbanes.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE NAVY

STATEMENT OF HON. H. LAWRENCE GARRETT III, UNDER SECRETARY OF THE NAVY

ACCOMPANIED BY FRANK SWOFFORD, DIRECTOR, AIRCRAFT AND MISSILE PROGRAMS, DEPARTMENT OF THE NAVY

HOMEBASING NAVY'S E-6A TACAMO AIRCRAFT

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The subcommittee will come to order. Today we are considering the justification for the basing decision of the Navy's new TACAMO aircraft.

Frankly, I regret that we had to call these hearings this afternoon, but the subcommittee has given the Navy every opportunity to answer all of the questions that have been raised by the Members from the concerned States.

I can only say that I hope the Navy has learned from this experience, you cannot deal with the Congress from a barricaded bunker. If the Navy is going to make controversial decisions, then you have got to be willing to throw your books open and to submit to the scrutiny of the subcommittee and other interested Members of the Congress. Now I hope that these hearings will help illuminate the issue for all of us here today.

Now, I want, quite frankly, to support the Navy in this matter. But based on the information available to date, I simply cannot in good conscience do so. Therefore, we are looking for the Navy to be forthright and open in their testimony and in their responses today.

And I would say to my colleagues that this could be a very long hearing. So I would ask that there be no opening statements, if that meets with the agreement of those assembled here, and that we go straight into the testimony and into the questions.

If there are any opening statements, I want to assure my colleagues that they will be placed in the record, and I will read them with great

interest. And you will be able to make all of your points during the question and answer session.

[CLERK'S NOTE.—The statements are included at the conclusion of the hearing on page 520.]

The committee today has seen fit to extend an invitation to all Senators from affected States who have indicated an interest in being here today. And we will follow the same order that we did at the classified session, and that is following the testimony of the witnesses, and the questions of the chairman and the ranking member of the subcommittee.

We will then go to the other members of the subcommittee for the first questions, to be followed by members of the full Appropriations Committee, and then by members from the affected States.

If there is no objection to that, we will now proceed with the testimony. We have with us today Secretary Garrett representing the Navy, Secretary McGovern representing the Air Force, and Rear Admiral Rich representing the Navy and the TACAMO operation.

Gentlemen, we will proceed first with you, Mr. Secretary Garrett.

SUPPORT OF TINKER AIR FORCE BASE BASING

Mr. GARRETT. Thank you, Mr. Chairman, distinguished members of the committee. I appreciate the opportunity to present to you the Navy's position on E-6A TACAMO basing.

As you know, I recently approved the E-6A TACAMO basing report requested in the fiscal year 1988 military construction appropriations conference report, and submitted this formal report to you and your committee on May 19, 1988.

As you also know, in July 1987, Secretary Weinberger forwarded the initial E-6A life cycle cost comparison of selected basing options to the Appropriations and the Armed Services Committees and the Senate Military Construction Subcommittee. That study concluded that Tinker Air Force Base was the least costly TACAMO basing option.

In our most updated study, the cost estimates have changed to some degree, as I am sure you have noted, as Navy and Air Force analysts refined the estimates based upon on-site facility inspections and obtained more current data on operations, support, and Milcon funding requirements.

The study conclusion, however, has not changed. Tinker Air Force Base, in our opinion, remains the most cost-effective basing option. And I would like to, if I may, make the following major points:

JUSTIFICATION FOR TINKER BASING

Using the GAO cost analysis guidelines, Tinker basing saves the taxpayer almost \$21 million, that is in constant dollars, over the life of the TACAMO fleet, compared to other basing options considered.

While initial construction costs at Tinker are about \$22 million higher than comparable costs at Little Rock, these costs are more than offset by lower maintenance and support costs at Tinker compared to Little Rock. There is approximately \$42.5 million saved.

There are several aspects to this that bear, I think, particular attention. We have spoken to some of them in the closed session. I will reiterate them here.

No. 1, Tinker already has in place depot maintenance, repair facilities that can accommodate the E-6A aircraft. Therefore, the Navy will not need to duplicate these facilities. Nor will the Navy need to transport the aircraft from another site to Tinker to get the maintenance done.

Tinker also already has in place intermediate level maintenance facilities that can repair the E-6A parts. The Navy, therefore, will not need to duplicate these facilities.

The Air Force has already purchased common test equipment that Navy can use to check out the E-6A aircraft operations. Also, skilled Air Force maintenance personnel are presently on-site.

Close proximity of TACAMO aircraft operations and maintenance, and support sites at Tinker allow, I believe, for a very efficient TACAMO strategic operation. At Tinker, the Air Force E-3A and the Navy E-6A aircrews and support maintenance personnel can provide mutual support and exchange expertise to improve mission performance and training in both services.

In summary, Mr. Chairman, Tinker already is a support base for E-6A-type operations and maintenance, providing the Navy the opportunity to save money and better execute the critical Trident SSBN communication mission.

As indicated in previous testimony to the Appropriations Committee by Hon. Donald C. Latham, former Assistant Secretary of Defense for Command, Control, Communications, and Intelligence, long-range performance allowing Conus basing was a key factor in the selection of the E-6A aircraft.

Such basing increases the survivability of the TACAMO fleet because we can place the key training, the maintenance, and support capability as far from potential attack as possible.

Further, mid-Conus basing also provides operational mission flexibility to direct aircraft to east or west coast alerts and forward deployed bases, in response to national tasking to support emergency requirements.

The Navy, after discussion with the Air Force, settled on Tinker for a number of reasons, all related to efficiency of operations and maintenance, as well as cost savings.

Tinker Air Force Base is the overhaul activity for the Air Force E-3A AWACS. This provides for the long-term Air Force expertise to assist the Navy in the areas of engine and airframe maintenance.

This mutual service support to reduce redundant operations is, I believe, what you, the Congress, have been emphasizing. Further, collocating Navy E-6A squadrons and Air Force E-3A squadrons permits our operators to share experience which improves flight tactics, mission execution, and the aircrew training qualification process.

Support benefits manifest themselves in decreased depth of supplies, minimal delays in transporting depot repair items, and less duplication

in intermediate maintenance facilities and personnel. The Tinker option eliminates duplication and maximizes savings for TACAMO operations and support.

STATUS AT LITTLE ROCK AIR FORCE BASE

Little Rock Air Force Base, the other mid-Conus base considered, does have some excess facilities. However, these facilities are not located for efficient operations and maintenance, and they also require modification to support the E-6A to the tune of about \$49 million.

Our plan at Tinker, we believe, creates a more cohesive and efficient working environment that will improve mission readiness and effectiveness. Although some new facilities need to be constructed and some support facilities upgraded, these Tinker facilities will be built to optimize productive and efficient operations.

Yes; there will be higher Milcon investment for Tinker compared to Little Rock. But this will be offset by life cycle cost savings and efficiency of operations.

Mr. Chairman, members of the committee, our study concludes that an E-6A mid-Conus base at Tinker is in the best interests of the Navy, and therefore, I believe, in the best interests of the Nation, to ensure Trident submarine communication effectiveness. And I ask for your continued support for funding of this important strategic project at Tinker Air Force Base.

Thank you very much. I am prepared to answer your questions.

[The statement follows:]

STATEMENT OF
THE HONORABLE H. LAWRENCE GARRETT III
UNDER SECRETARY OF THE NAVY

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

I APPRECIATE THE OPPORTUNITY TO PRESENT THE NAVY'S POSITION ON E-6A TACAMO BASING. I APPROVED THE REVISED E-6A TACAMO BASING REPORT REQUESTED IN THE FISCAL YEAR 1988 MILITARY CONSTRUCTION APPROPRIATIONS CONFERENCE REPORT AND SUBMITTED THIS FORMAL REPORT TO YOU AND YOUR COMMITTEE ON 19 MAY 1988.

IN JULY 1987 SECRETARY WEINBERGER FORWARDED THE INITIAL E-6A LIFE CYCLE COST COMPARISON OF SELECTED BASING OPTIONS TO THE APPROPRIATION AND ARMED SERVICES COMMITTEES AND THE SENATE MILITARY CONSTRUCTION SUBCOMMITTEE. THAT STUDY CONCLUDED TINKER AFB WAS THE LEAST COST TACAMO BASING OPTION.

IN OUR UPDATED STUDY, THE COST ESTIMATES HAVE CHANGED TO SOME DEGREE AS NAVY AND AIR FORCE ANALYSTS REFINED THE ESTIMATES BASED UPON ON-SITE FACILITY INSPECTIONS AND OBTAINED MORE CURRENT DATA ON OPERATIONS, SUPPORT AND MILCON FUNDING REQUIREMENTS. THE STUDY CONCLUSION, HOWEVER, HAS NOT CHANGED: TINKER AFB REMAINS THE MOST COST EFFECTIVE BASING OPTION. LET ME MAKE THE FOLLOWING MAJOR POINTS:

* USING GAO COST ANALYSIS GUIDELINES, TINKER BASING SAVES THE TAXPAYER ALMOST \$21M IN CONSTANT DOLLARS OVER THE LIFE OF THE TACAMO FLEET COMPARED TO OTHER BASING OPTIONS.

* WHILE INITIAL CONSTRUCTION COSTS AT TINKER ARE ABOUT \$22M HIGHER THAN COMPARABLE COSTS AT LITTLE ROCK, THESE COSTS ARE MORE

THAN OFF-SET BY LOWER MAINTENANCE AND SUPPORT COSTS AT TINKER COMPARED TO LITTLE ROCK (\$42.6M SAVINGS).

* TINKER ALREADY HAS IN-PLACE DEPOT MAINTENANCE REPAIR FACILITIES THAT CAN ACCOMMODATE THE E-6A AIRCRAFT.

- NAVY WILL NOT NEED TO DUPLICATE THESE FACILITIES.

- NOR WILL THE NAVY NEED TO TRANSPORT THE AIRCRAFT FROM ANOTHER SITE TO TINKER TO GET THIS MAINTENANCE DONE.

* TINKER ALREADY HAS IN-PLACE INTERMEDIATE LEVEL MAINTENANCE FACILITIES THAT CAN REPAIR E-6A PARTS.

- NAVY WILL NOT NEED TO DUPLICATE THESE FACILITIES

* AIR FORCE HAS ALREADY PURCHASED COMMON TEST EQUIPMENT THAT NAVY CAN USE TO CHECK OUT E-6A AIRCRAFT OPERATIONS.

* SKILLED AIR FORCE MAINTENANCE PERSONNEL ARE ON-SITE.

* CLOSE PROXIMITY OF TACAMO AIRCRAFT OPERATIONS AND MAINTENANCE AND SUPPORT SITES AT TINKER ALLOW A VERY EFFICIENT TACAMO STRATEGIC OPERATION.

* AT TINKER, AIR FORCE E-3A AND NAVY E-6A AIRCREWS AND SUPPORT AND MAINTENANCE PERSONNEL CAN PROVIDE MUTUAL SUPPORT-AND EXCHANGE EXPERTISE TO IMPROVE MISSION PERFORMANCE AND TRAINING IN BOTH SERVICES.

IN SUMMARY, TINKER ALREADY IS A SUPPORT BASE FOR E-6A TYPE OPERATIONS AND MAINTENANCE, PROVIDING THE NAVY THE OPPORTUNITY TO SAVE MONEY AND BETTER EXECUTE THE CRITICAL TRIDENT SSBN COMMUNICATION MISSION.

AS INDICATED IN PREVIOUS TESTIMONY TO THE APPROPRIATIONS COMMITTEE BY THE HONORABLE DONALD C. LATHAM, FORMER ASSISTANT SECRETARY OF DEFENSE FOR COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE, LONG RANGE PERFORMANCE ALLOWING CONUS BASING WAS A KEY FACTOR IN THE SELECTION OF THE E-6A AIRCRAFT. SUCH BASING INCREASES THE SURVIVABILITY OF THE TACAMO FLEET BECAUSE WE CAN PLACE THE KEY TRAINING, MAINTENANCE AND SUPPORT CAPABILITY AS FAR FROM SOVIET ATTACK AS POSSIBLE. FURTHER, MID-CONUS BASING ALSO PROVIDES OPERATIONAL MISSION FLEXIBILITY TO DIRECT AIRCRAFT TO EAST OR WEST COAST ALERT AND FORWARD DEPLOYED BASES IN RESPONSE TO NATIONAL TASKING TO SUPPORT EMERGENCY REQUIREMENTS.

THE NAVY - AFTER DISCUSSIONS WITH THE AIR FORCE - SETTLED ON TINKER FOR A NUMBER OF REASONS, ALL RELATED TO EFFICIENCY OF OPERATIONS AND MAINTENANCE AND COST SAVINGS. TINKER AFB IS THE OVERHAUL ACTIVITY FOR THE AIR FORCE E-3A AWACS. THIS PROVIDES FOR LONG TERM AIR FORCE EXPERTISE TO ASSIST THE NAVY IN THE AREAS OF ENGINE AND AIRFRAME MAINTENANCE. THIS MUTUAL SERVICE SUPPORT TO REDUCE REDUNDANT OPERATIONS, IS WHAT YOU, THE CONGRESS, HAVE BEEN EMPHASIZING. FURTHER, COLLOCATING NAVY E-6A SQUADRONS AND AIR FORCE E-3A SQUADRONS PERMITS OUR OPERATORS TO SHARE EXPERIENCE WHICH IMPROVES FLIGHT TACTICS MISSION EXECUTION, AND THE AIRCREW TRAINING QUALIFICATION PROCESS. SUPPORT BENEFITS MANIFEST THEMSELVES IN DECREASED DEPTH OF SUPPLIES, MINIMAL DELAYS IN TRANSPORTING DEPOT REPAIR ITEMS, AND LESS DUPLICATION IN INTERMEDIATE MAINTENANCE FACILITIES AND PERSONNEL. THE TINKER OPTION ELIMINATES DUPLICATION AND MAXIMIZES SAVINGS FOR OPERATIONS AND SUPPORT OF TACAMO.

LITTLE ROCK AFB, THE OTHER MID-CONUS BASE WE CONSIDERED, DOES HAVE SOME EXCESS FACILITIES; HOWEVER, THESE FACILITIES ARE NOT LOCATED FOR EFFICIENT OPERATIONS AND MAINTENANCE AND REQUIRE MODIFICATION TO SUPPORT THE E-6A; ABOUT \$49M. OUR PLAN AT TINKER CREATES A MORE COHESIVE AND EFFICIENT WORKING ENVIRONMENT THAT

WILL IMPROVE MISSION EFFECTIVENESS. ALTHOUGH SOME NEW FACILITIES NEED TO BE CONSTRUCTED AND SOME SUPPORT FACILITIES UPGRADED, THESE TINKER FACILITIES WILL BE BUILT TO OPTIMIZE PRODUCTIVE AND EFFICIENT OPERATIONS. YES, THERE WILL BE A HIGHER MILCON INVESTMENT FOR TINKER COMPARED TO LITTLE ROCK, BUT THIS WILL BE OFFSET BY LIFE CYCLE COST SAVINGS AND EFFICIENCY OF OPERATIONS.

MR. CHAIRMAN, OUR STUDY CONCLUDES THAT AN E-6A MID-CONUS BASE AT TINKER AFB IS IN THE BEST INTEREST OF THE NAVY AND TO THE NATION TO ENSURE TRIDENT SUBMARINE COMMUNICATION EFFECTIVENESS. I ASK FOR YOUR CONTINUED SUPPORT FOR FUNDING OF THIS IMPORTANT STRATEGIC PROJECT AT TINKER.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. JAMES F. MCGOVERN, UNDER SECRETARY OF THE
AIR FORCE

ACCOMPANIED BY REAR ADM. ROGER L. RICH, USN, DIRECTOR, NAVAL
COMMUNICATIONS DIVISION, OFFICE OF THE CHIEF OF NAVAL
OPERATIONS

NAVY/AIR FORCE JOINT USE AT TINKER

Senator SASSER. Thank you very much, Secretary Garrett. Before going to questions, I would like to call on our next witness, the Under Secretary of the Air Force, Jim McGovern. Do you have any comments or statement at this time, Mr. Secretary?

Mr. MCGOVERN. In keeping with the ground rules which you have laid, Mr. Chairman, in the interests of time, I will refrain and just make myself available for questions.

Senator SASSER. Let me just ask you this, Secretary McGovern, the Navy's decision to move to Tinker is going to have a definite impact on your own Air Force operations there at Tinker.

And basically the subcommittee is interested in knowing if the Air Force views the Navy merely as a tenant at Tinker or is the Navy going to be a full partner there at this Air Force base. That is an important aspect of this whole issue.

And we also want to know why the Air Force supports TACAMO at Tinker when, as I understand it, there is not even a memorandum of understanding in place with the Navy.

Mr. MCGOVERN. Mr. Chairman, you know, we are a Department of Defense. We are interested in doing what is economically and operationally the most efficient thing to do.

To answer your first question, clearly we expect, as we do in all of our operational commands, unified commands, that the Navy is going to be a full-fledged partner with the Air Force.

We are very much interested in having the Navy beddown their E-6's there, share our experiences, both our maintenance experiences and our aircrew experiences with the Air Force. We do not consider them a burden.

As I said at the outset, we obviously expect that the Navy will be able to fund dollar for dollar any increase in military construction or any other requirements that are required and peculiar to the E-6.

That understanding has been reached between the Navy and the Air Force. And so we are looking forward to having the Navy at Tinker.

MEMORANDUM OF UNDERSTANDING

Senator SASSER. Let me ask you this, Mr. McGovern. Did the Navy and the Air Force have a written, negotiated memorandum of understanding, detailing the precise concept of operations for the TACAMO mission as it relates to the Air Force AWACS mission at Tinker, when the Navy submitted their report and cost estimates last week?

Mr. MCGOVERN. We do not have a formal memorandum of understanding yet signed. That is not unusual, however. That memorandum of understanding will involve such things as base operating support and other requirements that will become better known as we mature into this program.

Senator SASSER. When will that memorandum of understanding be concluded?

FEAR OF UNEQUAL TREATMENT OF TACAMO

I am frankly concerned that the reality of this situation will be that on a daily basis the Air Force will treat the Navy like a second-class citizen at Tinker.

The AWACS that the Air Force operates are always going to come first. And the Navy TACAMO's are going to come second. And I think this TACAMO mission is so critical and so crucial and so important to the national security of this country that a TACAMO aircraft ought not to be left waiting in line for spare parts and maintenance while an AWACS, an Air Force AWACS is being serviced.

Now, how do you respond to those concerns? And we will get Mr. Garrett to respond also.

Mr. MCGOVERN. Well, Mr. Chairman, I do not think that you should have any concern there. Certainly our Strategic Air Command is not going to allow one of the most critical links in our triad to become a second-class citizen to virtually any mission of the Department of Defense.

This is not the only area, by the way, where we have mutual operational support and a mutual maintenance support, where Air Force is working on Navy aircraft providing maintenance. There are other examples that are working very well.

So I do not think we should have any concern about the Navy being considered a second-class citizen.

LOCATION OF JOINT OPERATING BASES

Senator SASSER. Where are these other joint operating bases?

Mr. MCGOVERN. For instance, the Air Force maintains the T-34 engine, which is on the A-10 aircraft, out at Navy Alameda.

The Marine C-130 aircraft is repaired under an Air Force contract at Warner Robbins. Most of the Air Force helicopter depot level maintenance is done by the Army at Corpus Christi, and there are other examples that I can provide for the record.

Senator SASSER. But is it fair to say that these are much smaller operations than this TACAMO operation?

Mr. McGOVERN. I think virtually any operation is smaller than TACAMO, yes, Mr. Chairman.

Senator SASSER. And you are not operating under the critical time pressures that you would with TACAMO. That is my concern.

Mr. McGOVERN. But I think that indigenous maintenance capability at Tinker Air Force Base is beneficial when you are talking about critical maintenance time pressures.

Anybody that has ever managed a maintenance squadron would recognize that as you are bringing on a new aircraft as sophisticated as an E-6, it is very helpful to have on-board experts who have been working on those same components, same type aircraft, to wrestle with the thorny problems that come up when a new airplane is brought into the inventory, because those thorny problems are inevitable.

Senator SASSER. Do you want to amplify on that, Mr. Secretary?

Mr. GARRETT. If I may, Mr. Chairman, I would submit that while the Air Force and the Navy have over time had their differences, we do not have any differences on this issue.

I, certainly, speaking on behalf of the Navy, have absolutely no concern about the Navy becoming a second-class citizen. The Air Force does not treat us that way. I think Mr. McGovern and I both, in our operational experience as naval aviators, I have flown in and out of many Air Force bases and have always been treated with the utmost respect. And certainly any needs that we had in our particular aircraft were met. I would anticipate that would continue.

Also, speaking again from my experience in the Navy, being responsible for the training of aircrews, I can tell you it is an exceedingly valuable asset to have in place an individual, be they Air Force, Army, or anyone else, who has the capacity to assist our people.

Especially in the short term, as we bring these aircraft on-line, to bring us up to speed and close that learning curve as quickly as possible. And that is, in my view, one of the strongest reasons why I support the decision that was made prior to my being appointed as the Under Secretary, to base these aircraft at Tinker.

I see this operational commonality, and the interrelationship that will evolve, as absolutely essential to this program.

JUSTIFICATION OF COST ESTIMATES

Senator SASSER. Secretary Garrett, I want to ask you one more question and then we will turn to the ranking member, because he is under some time pressures here.

The report that you presented to the subcommittee last week, frankly, from the standpoint of justifying the cost estimates, was pretty thin.

From just the standpoint of this subcommittee's jurisdiction, using your own figures, the military construction investment costs for both Little Rock and current basing at Hawaii and Maryland, are cheaper than at Tinker. Now, is not that correct?

Mr. GARRETT. Well, as I understand the report, the delta between Tinker and Little Rock in Milcon was approximately, I am sorry, in total life cycle cost, was approximately \$21 million.

The difference between Barbers and Pax was \$76 million, and between Tinker and Pax \$99.5 million. Now, that is in operational or life cycle costs. As I said in my opening testimony, I recognize that the Milcon expenditures at Tinker are in excess of those at Little Rock.

But that does not provide the advantage that I see as the greatest advantage, which is in the operational aspects of this program.

I mean, you cannot quantify, Mr. Chairman, the value of having an aircraft that is down for some reason and having a hangar in place, a maintenance facility in place, with qualified people, where one of my air crewmen can seek and obtain immediately the kind of assistance that he would not be able to obtain in a site where these facilities are not in existence.

LONG-TERM COSTS

Senator SASSER. Well, of course, this subcommittee is concerned about long-term costs. I mean, we can agree that the military construction costs are cheaper at Little Rock than they are at Tinker.

But we are concerned about long-term costs as well. But even using the Navy's long-term costs for Little Rock, we would only save \$21 million in 3 years. And your report indicates that the Navy can save overall a net of \$20 million in operating costs over 30 years by going to Tinker.

Now, \$20 million over 30 years is pretty thin savings indeed for a program that cost \$6 billion over the same period of time. You must be figuring with an awfully sharp pencil to be able to come up with a \$20 million savings over 30 years on a \$6 billion program.

There has got to be a lot of subjective reasoning in that figure. But even the asserted 30-year savings at Tinker over Hawaii and over Patuxent River of \$76 million, that also, it appears to me, to be pretty thin in a \$6 billion program.

Now, does the Navy fully stand behind these cost estimates in the report that you submitted?

Mr. GARRETT. I would say, Mr. Chairman, to the degree that we are able in projecting costs out over 30 years we would certainly stand behind them.

I am not going to say that these figures are not going to change, because I cannot see into the future. And as you point out, the savings that have been identified are not that significant in the minds of some.

However, times have forced us to use very sharp pencils. And I believe that the operational costs that are reflected in the report are as accurate as we are able to project them at this time.

But I have to point out again that this is just one of the factors in an equation that contains several elements. Not the least of which, as I pointed out earlier in my testimony, is the operational benefit that this Nation gains from this coming together, if you will, of support between the services.

Senator SASSER. I am going to defer now to our ranking member, Senator Specter.

OPERATIONAL ADVANTAGES OF MOVE TO TINKER

Senator SPECTER. Thank you very much, Mr. Chairman. I regret that I cannot be here for the entire proceeding this afternoon. Of course, this is a very important question from the national security aspects, and rather hotly contested from the aspect of many individual States being involved.

I would like to hear some elaboration, if you would, Secretary Garrett, on the operational advantages. I have heard some of them, but could you spell those out a little more fully?

Mr. GARRETT. Well, if I may—and Admiral Rich, if you will, pick up where I stumble—the operational advantage, or one of the primary advantages, Senator, is the reduction of the vulnerability of these aircraft, their support people, and the infrastructure from attack, giving the Navy and this country the ability to respond in a timely way in a larger window of opportunity.

Senator SPECTER. You are concerned more about vulnerability in Maryland or Hawaii than in Oklahoma?

Mr. GARRETT. I would be concerned about vulnerability on any coast more than I would inland.

Senator SPECTER. Why?

Mr. GARRETT. Simply because it is much closer to assets in the ocean that I am concerned about. But the aspect, I mean, I think the inland location gives you the ability to react and gives you a large time window, if you will, to react.

Senator SPECTER. You are talking just about the geography and distance?

Mr. GARRETT. Just the geography and distance. It protects the infrastructure to a much greater degree. But of course, that is in large part what you are concerned about.

I mean, if I have an aircraft airborne at any given time and I have no place to come home to refurbish, I have got a major problem.

INTEGRATED TRAINING

Senator SPECTER. Any operational factor besides the geography?

Mr. GARRETT. Well, the operational factors I spoke to earlier, and that is the integrated training, if you will, the ability to rely upon the Air Force for depot level maintenance of the airframes and the engines, the crew training aspects.

I mean, we move people in and out of these squadrons on a continuing basis, both the aviators and other members of the flight crew.

TOTAL CONSTRUCTION COSTS

Senator SPECTER. Secretary Garrett, why does it cost \$22 million more to construct at Tinker than at Little Rock?

Mr. GARRETT. I believe, and Admiral Montoya might be able to help me on this—

Senator SPECTER. What are the total construction costs?

Mr. GARRETT. At Tinker, \$71 million, I believe. But I believe it is somewhere in the neighborhood of \$49 million at Little Rock.

Senator SPECTER. Why such a big differential on that much construction cost?

Admiral RICH. Senator, it principally has to do with the fact that there are some facilities existing at Little Rock that could be modified and used.

There is significant construction required there. There are disadvantages to them, because they are approximately 2 miles away from the hangar that you would have. You would have the commanding officer's office in one place and his administrative section, you would have training in another section of the base. And the operation, or hangar, would be in another.

But there are some buildings at Little Rock that would be utilized. And that is the reason that construction costs are lower.

Mr. GARRETT. I think, Senator Specter, as I said in my report, the depot and intermediate level maintenance facilities drive the operating support costs at Little Rock significantly above the comparable Tinker costs, simply because those Air Force assets and people in intermediate depot or the depot level maintenance are available there.

Senator SPECTER. Secretary Garrett, when you talk about \$21 million in constant dollars over the life of the fleet, you are talking over about a 30-year period. Is that the life of the—

Mr. GARRETT. Those were the planning figures used, yes sir.

Senator SPECTER. Thank you very much, Mr. Chairman. Thank you very much, Secretary Garrett, Secretary McGovern, Admiral Rich.

Senator SASSER. Senator Inouye?

RELOCATION DECISION

Senator INOUE. Thank you, Mr. Chairman. I have been advised that when the initial decision to relocate TACAMO was made by the Secretary of the Navy, it was not based on any recommendation by the Chief of Naval Operations.

I have been advised that it is the usual procedure, where the CNO is called upon to make recommendations for operational deployments and relocating operational functions. But in this case, my advice is that the CNO was not even consulted, and he was not aware of this decision.

I have been further advised that when this initial decision was made by the Secretary of the Navy, the Secretary of the Air Force was not aware of it. Is that correct?

Mr. GARRETT. Senator Inouye, I was not present, of course, when these events unfolded. I do not know the answer to your question, but I will find out and I will get back to you.

But I can tell you that in the time that I have been the Under Secretary of the Navy, I have discussed this issue with the current Chief of Naval Operations and the Vice Chief of Naval Operations, and they are both supportive of the Navy's decision to base at Tinker.

POLITICAL CONSIDERATIONS IN TINKER MOVE

Senator INOUE. I will ask another question, which I am certain is in the minds of most of the members here, but for some reason they are reluctant to articulate.

Was this decision, the initial decision, based upon political considerations other than operational considerations?

Mr. GARRETT. Again, Senator Inouye, I was not present. I do not know whether or not the decision that was made at the time that the initial decision was made had any political overtones.

I have not been in this town nearly as long as you, sir, or any of the other distinguished members. But I have come to find that very few decisions made in this town are made without some relation to political considerations.

But for the record, I do not know the answer to your question.

Senator INOUE. Thank you very much, Mr. Chairman.

Senator SASSER. Thank you, Senator Inouye. Proceeding with our procedure of letting members of the subcommittee ask first and then moving to members of the full committee, I will move now to Senator Bumpers and then Senator Mikulski.

CORRESPONDENCE

Senator BUMPERS. First, Mr. Chairman, I would like to ask unanimous consent that certain material be inserted in the record, and I will forego reading it.

[The information follows:]

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
FOR COMMAND, CONTROL, COMMUNICATIONS
AND INTELLIGENCE

Date 21 July 1986

Memo for John Lehman
Pete Aldridge

SUBJECT: E-6A Basing at Tinker

Attached is a short staff summary
of the recent site survey at Tinker.

Please note that Tinker is not
in Mickey Edwards' district and he is
somewhat puzzled at all this. Tinker
is in Dave McCurdy's district. I still
suggest we strongly reconsider Little
Rock.



Donald C. Latham

Attachment



COMMAND, CONTROL,
COMMUNICATIONS
AND
INTELLIGENCE

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

18 JUL 1986

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (C3I)

THRU: DEPUTY ASSISTANT SECRETARY OF DEFENSE (C3)

18 JUL 1986

DIRECTOR, STRATEGIC & THEATER NUCLEAR FORCES C3 *acc*

WKO18 J

SUBJECT: E-6A Site Survey at Tinker AFB

1. A Joint OSD, Navy and Air Force team conducted a site survey at Tinker AFB to determine the availability of excess assets which could be used to support the establishment of a E-6A main operating base.

2. In our opening discussions the Air Force was made aware that they had to scrub the base to determine what assets might be made available to the Navy. With respect to each facility category (Hangers, ramps, taxiways, warehouses, dormitories, dining hall, etc.) they were to review their requirements, determine what was available and then identify those assets which could be used by the Navy on a permanent basis or on a temporary basis.

3. The finding of the survey team and the preliminary results of the Air Force effort can be summerized very simply. Although there may be some existing facilities available at Tinker AFB, which could be used by the Navy for the E-6A MOB, they would be scattered around the base and not suitable operationally. The only location where we could shoehorn in the E-6A MOB facilities required relocating the 3rd Combat Information Systems Group. However, the cost to relocate them exceeded the price of a new piece of land along the southern boundary of the base adjacent to the AWACS alert facility.

4. The attached map shows the areas considered. Area A contains the 3rd Combat Information Systems Group. They could be relocated to Area D, however, the cost to the Navy would most likely exceed the cost of buying the land at areas B and C. Area B was considered but it would require building bridges over Douglas Blv'd. The preferred location was area C. The base felt that relocating or closing Southwest 59th street would not be a problem. A representative E-6A site plan is shown in Figure 1. A breakdown of the estimated (rough) cost to build this site, \$ 65M, is shown in Table 1.

5. The Air Force expects to complete the identification of available assets by Friday.

6. For comparison purposes the following facility costs were developed from the previous site surveys:

Little Rock	\$ 27.6M
Dyess	\$ 37.7M
Memphis	\$ 55.9M

Howard H. Shapiro
Howard H. Shapiro

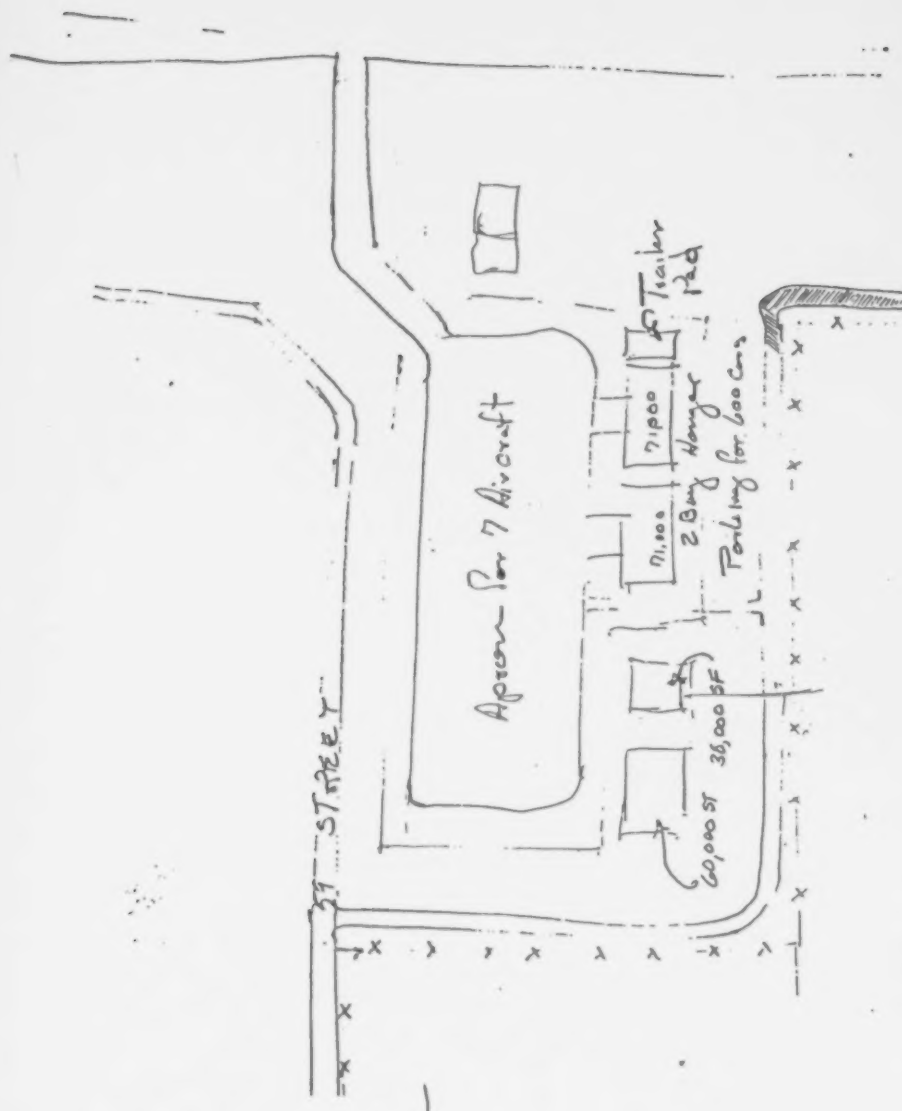


TABLE 1

Tinker AFB MILCON Costs

	SUITABLE
RUNWAY	
TAXIWAY	\$ 1.4M
RAMP	\$ 7.8M
LAND ACQUISITION	\$ 1.4M
HANGER	\$22.0M
ADMIN/OPS SPACES	(1)
BASE UTILITIES	\$ 7.9M
TRAINING BLDG	\$ 8.1M
CONTRACTOR LOG SUPPORT	\$ 4.7M
BEQ	\$ 3.3M
DINING HALL UPGRADE	\$ 2.0M
SITE PREPARATION	\$ 3.7M
SUPPORT FACILITIES (PARKING, LIGHTING, ETC.)	<u>\$ 2.9M</u>
TOTAL MILCON	\$65.2M

(1) INCLUDED IN HANGER COSTS

HEADQUARTERS UNITED STATES AIR FORCE

WASHINGTON, D.C.
UNCLASSIFIED

23 MAY 1986

Joint Navy/Air Force E-6A Training (Your Ltr, 19 Feb 86)

Strategic C3 Program Coordinator (OP-941)
Office of the Chief of Naval Operations
Department of the Navy
Washington, DC 20350-2000

1. In response to your letter on Joint Navy/Air Force E-6A Training, we have assessed our capability to provide flight crew training under our current E-3 contract flight crew training program and have estimated the requirements and cost for expanding this program. Additionally, we have investigated the feasibility of a joint maintenance training program.

2. The current E-3 contract flight crew training program can only absorb two navigators and two flight engineers per year. Air Force E-3 pilot inputs are already at the contract limit. To expand the current contract to include E-6A training would require over 5000 additional flying hours, two additional B-707 aircraft, one E-6A flight simulator plus a facility to house it, twenty-four additional contract personnel and E-6A training courseware development. Based on comparable E-3 contract flight crew training costs, inclusion of the E-6A in a joint E-3/E-6A contract training program would cost the Navy about \$57.6M for a five year contract.

3. In regards to maintenance training, our training courses can accommodate approximately 72 students per year, which would only satisfy approximately 5% of your stated requirement. We have sufficient aircraft, equipment and facilities to accommodate a maximum of twenty maintenance OJT positions. Also, we do not have the additional aircraft, equipment or facilities to expand the capabilities of our maintenance training detachment at Tinker AFB.

FOR THE CHIEF OF STAFF

Harold J. Williams
HAROLD J.M. WILLIAMS, Maj Gen, USAF
Director Of Operations
DCS, Plans & Operations

cc: OP-594
AF/PRP

UNCLASSIFIED

TAB B



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350-1000

1 October 1986

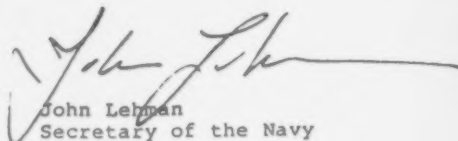
MEMORANDUM FOR THE SECRETARY OF DEFENSE

Subj: E-6A "TACAMO II" BASING OPTIONS - ACTION MEMORANDUM

We have examined a number of basing options for the E-6A TACAMO aircraft and conclude that the Tinker AFB, Oklahoma, is the best overall choice. The reasons are:

- A centralized CONUS site which permits efficient deployment of the fleet to East and West Coast alert bases.
- Tinker is structured to efficiently handle air and ground operations of large, heavyweight aircraft.
- Economies can be realized in maintenance and flight crew training when collocated with the Air Force AWACS training organization.
- AWACS/E-6A depot maintenance facilities are located on base thereby reducing out-of-service time and saving money.
- Common logistics support items are available for shorter parts delivery times and reduced parts inventory requirements.
- TACAMO communications support is available at an existing, on-base facility.
- Common ground and maintenance support equipment is available. Less new equipment will be needed to support E-6A operations and maintenance.

Pete Aldridge and Don Latham do not agree with our conclusion. They correctly point out that new construction will be required to base the E-6As at Tinker. Although we recognize the financial costs involved, we believe the advantages of basing the E-6As at Tinker outweigh the negative considerations. Accordingly, we request your concurrence for the Navy to stand up TACAMO operations at Tinker Air Force Base.


John Lehman
Secretary of the Navy



THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

6 OCT 1986

Honorable Mickey Edwards
House of Representatives
Washington, D. C. 20515

Dear Congressman Edwards:

With reference to our conversation last Friday evening, I have reviewed the letter to you from the Secretary of the Navy dated October 2, 1986, which may have been enroute to you when we spoke. Secretary Lehman, as he indicated in that letter, has recommended that the Navy stand up TACAMO operations at Tinker Air Force Base.

I am, of course, aware of that recommendation and want to reconfirm my earlier statements to you that this recommendation has my approval.

Sincerely,

A handwritten signature in cursive script, reading "William H. Taft, IV", is written over the typed name.

William H. Taft, IV

HISTORY OF TACAMO SITING RECOMMENDATION

Senator BUMPERS. Second, let me say that all of the gentlemen seated in front of us are at some disadvantage, because they, in fact, were not around when these decisions were being made.

So while I might have a tendency to really burrow in in typical trial lawyer's practice, I will be more forbearing, because you have inherited a situation.

Now, Mr. Chairman, this may be the greatest decision the Navy ever made. But let me just recite a history of this thing for the record, so that the subcommittee and the full committee members will know why it is highly suspect.

First of all, the Navy asked the Air Force to give them a list of sites that might be available to them for the location of these two TACAMO squadrons. And the Air Force did that, and they gave them 20 sites. And those 20 sites were reviewed, and they were narrowed down to 7.

At that point Tinker was not on the list of 20, and when the list was narrowed down to 7, Tinker was still not on it. And the two top contenders at that point, based on pure economics, was Little Rock and Dyess Air Force Bases in Abilene, TX.

And then it was at that point apparently somebody made inquiry about Tinker, and Harold J.M. Williams, a major general who at that time was the Director of Operations for the Air Force, wrote an unclassified memo to strategic C³ program coordinator of the office of CNO.

He said:

In response to your letter on joint Navy-Air Force E-6A training, we have assessed our capability to provide flight crew training under our current E-3 contract flight crew training program, and have estimated the requirements and costs for expanding this program.

We have also investigated the feasibility of a joint maintenance training program which, as the Chairman, I believe, has already pointed out, there is no agreement in effect to this date.

They go on to say that:

The current E-3 contract flight crew training program can only absorb two navigators and two flight engineers per year. Air Force E-3 pilot inputs are already at the contract limit.

To expand the current contract to include E-6A training would require over 5,000 additional flying hours, two additional B-707 aircraft, one E-6A flight simulator plus a facility to house it, 24 additional contract personnel and E-6A training course development.

Based on comparable E-3 contract flight crew training costs, inclusion of E-6A in a joint E-3/E-6A contract training program would cost the Navy \$57.6 million for a 5-year contract.

In regard to maintenance training, our training courses can accommodate approximately 72 students per year, which would only satisfy about 5 percent of your stated requirements.

We have sufficient aircraft equipment facilities to accommodate a maximum of 20 maintenance OJT—is that on-the-job training?—positions. We do not have the additional aircraft equipment or facilities to expand the capabilities of our maintenance training detachment at Tinker Air Force Base.

Now, Mr. Chairman, that was on May 23, 1986. Now, bear in mind at this point Little Rock and Dyess were still the only two bases being considered. On July 18, here is another memo from Harold Shapiro, who is an aid to Assistant Secretary Latham, and it is to his boss—I am sorry, it is to the Assistant Secretary of Defense through Deputy Assistant Secretary of Defense Latham. He is Deputy Secretary for Command, Control, Communications, and Intelligence. Is that not correct?

Mr. GARRETT. Assistant Secretary. Former. He is no longer former Assistant Secretary. We have one Deputy Secretary of Defense.

Senator BUMPERS. OK. And here is what he said on July 18, apparent additional inquiries about Tinker. And I will put all of this in the record and save reading it all here in the hearing.

And he says:

The finding of the survey team and the preliminary results of the Air Force effort can be summarized very simply.

Although there may be some existing facilities available at Tinker Air Force Base which could be used by the Navy for their E-6A MOB, they would be scattered around the base and not suitable operationally.

The only location where we could shoehorn in the E-6A MOB facilities required, relocating the 3d Combat Information Systems Group. But the cost to relocate them exceeded the price of the new piece of land along the southern boundary of the base.

The finding of the survey team and the preliminary results of the Air Force effort can be summarized very simply.

And they go ahead to say: "a representative E-6A site plan is shown in figure 1, and a breakdown of the estimated rough cost to build this site, \$65 million, is shown in table 1." Now Admiral Rich, I want you to take particular note.

You pointed out the distance of 2 miles between the commander's office and the hangar at Little Rock. And here Shapiro is saying, there may be some facilities, but they would be scattered around the base and not suitable operationally. So we at least have somebody here saying, you have the same problem there.

At the close of this letter he says: "for comparative purposes the following facility costs were developed from the previous site surveys. Little Rock, \$27.6 million. Dyess, \$37.7 million, Memphis, \$55.9 million, and Tinker, \$65.2 million." Tinker was fourth at that point.

All of a sudden, on October 1, we have Secretary Lehman with a memorandum to Secretary Weinberger, saying: "We have examined a number of basing options for the E-6A TACAMO aircraft, and we conclude that Tinker AFB, OK, is the best overall choice." And he gives some reasons.

And then he says, "Pete Aldridge and Don Latham do not agree with our conclusions." Now, Pete Aldridge was Secretary of the Air Force at that time, was he not?

Mr. GARRETT. I think he was the Under Secretary at that time.

Senator BUMPERS. Tell us who Don Latham is.

Mr. GARRETT. He was Assistant Secretary of Defense for C³I.

Senator BUMPERS. And has a vital role in this decision, does he not? Should have?

Mr. GARRETT. He did. Yes, sir.

Senator BUMPERS. And here is Secretary Lehman saying, we are going to put it at Tinker even though Pete Aldridge and Don Latham do not agree with our conclusion. They correctly point out that new construction will be required to base the E-6A's at Tinker.

And then the next letter is from William Howard Taft IV, Deputy Secretary of Defense, to Congressman Edwards. Good news, Congressman.

With reference to our conversation last Friday evening, I reviewed the letter to you from the Secretary of the Navy dated October 2, 1986, which may have been en route to you when we spoke.

Secretary Lehman, as he indicated in that letter, has recommended that the Navy stand up TACAMO operations at Tinker Air Force Base. I am, of course, aware of that recommendation and want to reconfirm my earlier statements to you that this recommendation has my approval.

Now, Mr. Chairman, let me just make one other comment here.

Senator SASSER. I would say to you, you can proceed with your comments, Senator, but there will be an opportunity for a second round of questions.

Senator BUMPERS. On July 21, here is a memo to John Lehman and Pete Aldridge. Attached is a short staff summary of the recent site survey at Tinker. Now, I am going back to July 1986.

"Please note that Tinker is not in Mickey Edward's district, and he is somewhat puzzled by all of this." Apparently he got unpuzzled a little bit later on about it. "But Tinker is in Dave McCurdy's district."

"I still suggest that we strongly reconsider Little Rock. Donald C. Latham." Now, Mr. Chairman, I will save the remainder of my remarks till others have had an opportunity.

Senator SASSER. Thank you, Senator Bumpers.

Senator Mikulski, you may proceed.

STRATEGIC ADVANTAGES AT TINKER

Senator MIKULSKI. Thank you very much, Mr. Chairman. I would like to thank you, first of all, for conducting this hearing and conducting it on a fair and impartial basis.

To my colleague from Oklahoma, thank you for yielding. Ordinarily we rotate within the party. I have to be on the floor at 4 o'clock to preside, and I will move my questions quite briskly.

Mr. Chairman, like you, I believe that the TACAMO basing decision should be made, not on the basis of politics but what is in the best interests of our national security, and what is in the best interests of the taxpayer. And that is what we are trying to arrive at.

If I could ask the Under Secretary for the Navy, Mr. Garrett, I want to be sure that I understand what is the strategic advantages that we would have in moving to Tinker from Pax River, knowing, of course, the pride and enthusiasm we have for our Pax River basing?

What are you trying to protect from Soviet attack—the command system, the maintenance system, or the planes—and thus necessitating the move?

Mr. GARRETT. Well, I think, Senator Mikulski, possibly, again, Admiral Rich, if you will back me up on this, you have, No. 1, the increased security from the vulnerability point of view. That is, you decrease the vulnerability.

The other aspect is, as Admiral Rich pointed out early on in the testimony, both in the closed session and here, is that the plan would be to use Pax River as an alert site along with Travis Air Force Base as an alert site, and then you would have deployed on a random basis these alert aircraft that could be dispatched from any number of bases, hopefully low priority bases, if you will, on the target list.

Admiral, if you would like to expand on that.

Senator MIKULSKI. What gets moved to Tinker that we are trying to protect from military attack?

Mr. GARRETT. Essentially, the infrastructure, the support structure, the training structure. All of that goes, if you have—

Senator MIKULSKI. And the maintenance.

Mr. GARRETT. That is correct.

Senator MIKULSKI. And I understand that, not to cut you off, Admiral, but first of all, and I am pleased that we have actual aviators testifying.

Mr. GARRETT. Former.

Senator MIKULSKI. Well, I have a feeling that once an aviator always an aviator.

Mr. GARRETT. I am sorry. Secretary McGovern—

Senator MIKULSKI. You are flying pretty high here, Mr. Garrett, I will tell you that.

Well, it just is confusing to this Senator that if one of the key components that we need to protect are the airplanes, because without airplanes it does not matter that you have maintenance and it does not matter that you have a communications system.

And that, therefore, if you are going to have these planes located in designated coastal spots, which we do not even have to name, whether or not on the east coast or west coast, then why move them?

Mr. GARRETT. If you have one airborne, your dispersal is in itself a very great means of protection. We all remember, I think, Pearl Harbor in 1941, the Army Air Corps' aircraft that were all consolidated in one spot. And we will disperse these aircraft. We operate them in a random way, so as to protect them.

DISPERSAL OF INFRASTRUCTURE

Senator MIKULSKI. Oh, I understand that. But then I also believe then that it would be in your interest to also have some of your infrastructure dispersed.

Mr. GARRETT. Well, you have, in my view, as an old operator—

Senator MIKULSKI. I mean, if you do not want to put all of your eggs in one basket, and I would agree with that, then why do you want to put all of your nuts and bolts and command structure in one basket?

Mr. GARRETT. Well, I am going to operate these aircraft, or the Navy, I should not say I. The Navy will operate these aircraft from these forward bases, and essentially what they need are fuel and taxiway and runway.

For the major maintenance items, however, that would all be performed, if you will, at the mother base or the consolidated base at Tinker, which is far greater protected, if you will, in a relative sense than is any coastal air station.

Admiral, you might want to elaborate on that.

Senator MIKULSKI. Admiral, I think I got the point, and Mr. Chairman, I know the point that I am trying to make is that if we are trying to eliminate vulnerability, then I think that there are certain holes and gaps that exist. And I think this indicates just some of them. And in this hearing, we will not be able to go into every detail.

PAX RIVER

The other point that I just wanted to make about vulnerability is that Pax River is 62 miles from the U.S. Capital, the home of our President, just a traffic jam away from Andrews Air Force Base.

And if I were going to attack the United States, I do not think I would stop at Pax River in St. Mary's County, I think I would come right on to the Capital of the United States. And if this is the case, and I am sure I would receive the support from the Oklahoma Senators, why not move the capital to Oklahoma. [Laughter.]

Mr. GARRETT. I am not sure the budget can handle that.

Senator MIKULSKI. Or at least move the infrastructure.

Mr. MCGOVERN. We would like to move the Pentagon there.

Senator NICKLES. We are willing to consider that.

EXPENSES AT PAX RIVER

Senator MIKULSKI. Mr. Chairman, just in the interests of time, I would like to go on to some of just the economics, if I could.

I looked at the extra expenses associated with Pax River, and found them confusing to me. For example, on page 21 of your unclassified report, you said that in order for there to be basing in Maryland and Hawaii would take an additional \$29 million for four fire trucks and four fuel trucks and related support costs. That comes out to \$3.7 million a truck.

That seemed awfully high. I mean, who is making these trucks? Mercedes Benz? Is this the Volvo fire truck? Where did you get these numbers?

Mr. GARRETT. Senator, I imagine most of that is in support costs. I would have to defer to my staff who put the report together to break that figure down for you.

But I would imagine, if I am not mistaken, and please correct me if I am wrong, would be again the life cycle costs over the life of the program, primarily in support, certainly not in the cost of the vehicle.

Senator MIKULSKI. But do you not need fire engines at Pax River anyway? As you know as a Navy aviator, and the Admiral said that he himself trained as a test pilot at Pax River, we need firefighting equipment there in any case.

Mr. GARRETT. And I am sure we have it.

Senator MIKULSKI. You do, by the way. I might add, you do.

Admiral RICH. If I may comment, it obviously takes significantly more capacity in terms of a fire truck to fight an E-6A-type fire as it would the type of aircraft that operate at Pax River.

And the costs, the \$2 million are the costs of the fire trucks. And the remainder of the costs are the operating costs for the manning of the fire trucks over a 30-year life cycle.

Senator MIKULSKI. And you have all of that at Tinker already? You will not need to buy fire trucks?

Mr. GARRETT. Well, they are operating similar aircraft at Tinker, if I am not mistaken. Is that correct?

Mr. MCGOVERN. That is correct. We have that there, Senator.

NAVY COST ESTIMATES

Senator MIKULSKI. Well, Mr. Chairman, we could go on, and I have a series of detailed questions like that. But essentially, I am very confused by the Navy's cost estimates.

And the question related to the memorandum of agreement that you raised, or the lack of one, is also of great concern to me. I find these statistics confusing. I do not want to say that the rationale for moving to Tinker is unfounded. I am sure the Oklahoma Senators and others will have very good arguments.

What my concern is that we do make the best decision on a national interest. And I would really like for the Appropriations Committee to seek independent advice, evaluating the Navy's plan impartially and with an open mind.

And I would really like the chairman to consider either a GAO accounting, or the Department of Defense inspector general, or something along the lines that would be agreeable, just to be sure.

Because we keep comparing numbers, we have read the charts, we have read the statistics, and so on. And rather than try to dig at a hearing, both classified and unclassified, I would really welcome that, and would make that as a suggestion to the Chair.

Senator SASSER. Well, Senator, we will take your suggestion under advisement. And as a member of the Appropriations Committee yourself, as you know, there are certain prerogatives open to you as a member. But we will certainly take your suggestion under advisement.

Senator Nickles? And I want to apologize to you, Senator Nickles, for not securing your acquiescence before going to Senator Mikulski. She is under some considerable time pressure, and I should have gotten your permission before doing it.

LIFE CYCLE COST ADVANTAGES IN TINKER BASING

Senator NICKLES. I am happy to do it, and before the Senator leaves to Chair I would just like to read to her from a report by the General Accounting Office that states the Navy estimates total life cycle cost advantage of basing at Tinker, rather than Little Rock, of being \$70 million.

They discounted it, but it still came out to be a positive economical decision, to go to Tinker versus Little Rock. And I wanted the Senator to be aware of the fact that GAO has conducted that study, and would be happy to share it with her at her convenience.

Mr. Chairman, a couple of comments pertaining to some of the thoughts that have been mentioned before. I think there is little doubt this has been studied extensively. The Navy has conducted reports, the Department of Defense has.

And they have concluded that Tinker makes sense, both militarily and economically. It saves money to do it at Tinker Air Force Base, and militarily that is the best option.

Does Little Rock provide maintenance on aircraft such as the 707's?

Mr. GARRETT. Senator, we would have to, if we were in Little Rock, fly the aircraft to Tinker for depot level maintenance.

LITTLE ROCK FACILITIES

Senator NICKLES. Back to Little Rock just for a moment. Rear Admiral Rich, when we talk about the availability, you mentioned the fact that the Little Rock facilities, which supposedly would be saving money, are scattered around the field at significant distances from the hangars?

Admiral RICH. If I could, Senator, in answering Senator Bumpers' statement of a little earlier, yes, they are about 2 miles apart between the main operating area and some of the training areas and the command area.

If we went into Tinker rather than being scattered around, as the Under Secretary of the Air Force's letter said, our present plans and included in these costs are a facility that would include everything, self-contained in one area.

Senator NICKLES. So everything would be very close together, very efficient as far as operations are concerned?

Admiral RICH. Yes, sir.

Senator NICKLES. Much more so than Little Rock?

Admiral RICH. Yes, sir.

Senator NICKLES. And then as far as the facilities themselves, the Little Rock construction costs were \$49 million, and the ones at Tinker would be \$71 million?

Admiral RICH. Yes, sir.

Senator NICKLES. But the ones at Tinker would be cohesive, efficient, very available, or accessible to the aircraft and to the leadership command capabilities?

Admiral RICH. Yes, sir.

MAINTENANCE AND OVERHAUL

Senator NICKLES. Now, concerning the maintenance and overhaul, I think, Mr. Garrett, in your statement you alluded to it.

But there are a lot of things that are very hard to quantify. But the fact is that Tinker Air Force Base is now providing maintenance for the AWACS aircraft, which is probably the closest comparable system in the military today, and has been providing the maintenance and operation and basing of AWACS.

I believe in your earlier statement there would be approximately three of the E-6A's located—

Mr. GARRETT. As I understand, listening to Admiral Rich, three to five. It depends. But on average, probably three would be there. Not operating on alert status or otherwise.

Senator NICKLES. Only about three aircraft at one time would be located at whichever base.

And assuming one or two of those might be going through a maintenance cycle at one time or another, either for overhaul or annual inspections, et cetera.

Admiral RICH. Yes; for annual inspections, there would be an additional aircraft, for the one going through overhaul or depot level maintenance, as you would call it.

Senator NICKLES. Would it not make sense, I do not know how you would quantify, but these are aircraft that have a very important mission. If you have a maintenance problem these are aircraft that have the same frame—Boeing 707—same engines, similar engines, engines that have maintenance work now being done at Tinker Air Force Base, parts which would be supplied to the air logistics depot at Tinker Air Force Base.

So everything basically is there, plus the same mechanics, the same operation personnel, the same training or similar training operation. I would not say the same training personnel, but similar training functions.

If you are in a rotation cycle where one, two, or three aircraft would be going through the maintenance operation, it would only make sense to do it at the same base where you are doing almost identical aircraft for, if nothing else the time savings. Again I do not know how you can quantify, but it might make the difference of down time and could be very significant.

Mr. GARRETT. Given my experience in aviation squadrons in the Navy, I think it could make a significant difference, certainly in the short term.

It is very hard to quantify, as you point out, and as I pointed out earlier, the value of having the available talent and expertise immediately available for an aircrew, whether you are at an aircrew training status or whether you have got a maintenance problem.

I mean, it makes sense to the Navy, Senator, that is why we proposed it.

Senator NICKLES. Well, I would concur with that. I am a pilot, not quite in your status, but I used to fly a Beach Baron. The headquarters of that operation was in Wichita, KS, only 100 miles from my hometown.

But I found many times the necessity to have that plane serviced, not in my hometown where there was not enough expertise, training, or parts. We had to have it serviced in Wichita, KS, where they had the expertise, and where they could find the problems in a very quick manner and we could get it in and out.

And again, I think, turnaround and maintenance on an aircraft as complicated and important as the E-6A's is really critical. And I do not know how you put a value on it. Did you put a value on that in your assessment?

Mr. GARRETT. From an operational point of view, I do not know that you can quantify it in dollars and cents, and I do not think that it was quantified in dollars and cents.

Senator NICKLES. Is that not probably more important than even the \$21 million that—

Mr. GARRETT. Well certainly. I think I testified earlier that, in my view, that is the most important aspect to this decision, and that is the operational aspect, the enhanced operational aspect of bedding down these two squadrons at Tinker, from which we will deploy and fly.

I mean, \$21 million, as Senator Sasser, the chairman, pointed out earlier, over a 30-year life cycle, you know, in terms of some of the business that is done relative to the defense budget is not a significant amount of money. In the minds of some, certainly in my mind, it is a significant amount of money. But in the minds of some it is not. And so you balance that.

But as I said, that is only one aspect of the equation. And I think we have to consider the entire equation, and that is what the Navy has done, and have made our recommendation accordingly.

Senator NICKLES. But that efficiency of operation, being able to turn it over in maintenance, the duplication of training personnel, the overhaul would still be done at Tinker where they are doing the overhaul work on the AWACS aircraft. That is probably the real main advantage for being at Tinker Air Force Base.

Mr. GARRETT. In my view.

Senator NICKLES. I think it is in mine as well.

Mr. GARRETT. In addition, it saves money.

Senator NICKLES. And in addition it saves money. In addition, it keeps those airplanes flying. And I think that is critically important.

TREATMENT OF NAVY AT TINKER

One final comment, Mr. Chairman. I do not know exactly what the time situation is. But, Mr. Chairman, I think you mentioned it in your statement the possibility that the Navy would be treated as second-class citizens at Tinker.

I am almost offended by that comment. I cannot imagine that being the case. I am aware of the commanding officer at the base. As a matter of fact, I have a note from him. It is Gen. Billy Bowden.

And he said, we want the Navy to beddown here. It makes sense for common overhaul of the E-6A's, the EC-135 command post aircraft as well as the AWACS. And I personally know General Bowden. I know many of the other people at Tinker Air Force Base. And I cannot imagine anything but a very cooperative receptive effort.

Mention has been made of the fact that there was not a cooperative agreement entered into. Is that any cause for any concern whatsoever? I am not aware of a problem of any kind.

Mr. McGOVERN. Senator, there is no problem between the Air Force and the Navy on this issue.

As we indicated before, the reason a memorandum of understanding has not yet been signed is fairly typical. As we get closer to what the agreement should entail in terms of base operating support, that memorandum will clearly be signed before the first airplane lands at Tinker. And that is really what those memoranda of understanding are designed for.

So you should not read by implication the fact that we have not signed off on one of those bureaucratic paperwork drills that there is any lack of support by the Air Force for the Navy being bedded down at Tinker.

Mr. GARRETT. We anticipate no problem in executing a memorandum of agreement at the appropriate time.

OPERATING EFFICIENCY AT TINKER

Senator NICKLES. Well, thank you very much. Rear Admiral Rich, I thought you wanted to add something else about the mission at Tinker that you were not able to say earlier, insofar as the ability to operate most efficiently and economically at Tinker compared to other operations.

Admiral RICH. No, sir; I was just going to emphasize that there are values that you cannot quantify from maintaining aircraft on the same base where your depot level maintenance is.

Because if there is a part you need right now because you have an emergency to get an airplane gone, you can go right to that depot level maintenance facility, pick it up, put it on the airplane, and even in a real emergency get those people to come do it for you.

So there are advantages in being on that base. There is no question about it. And I am not concerned, knowing the TACAMO guys that I have got flying for me in the Navy, I am not concerned about them ever being treated as a second-class citizen.

Senator NICKLES. I would concur with that. Gentlemen, thank you very much for your statements, and also for your strong support for the basing at Tinker Air Force Base.

Mr. GARRETT. Thank you, Senator.

Senator SASSER. We have heard from all members of the full committee, and I will now call on my colleagues in the order of their arrival here today. And that brings up then Senator Pryor. Senator Boren, excuse me.

Senator PRYOR. I think Dave may have beaten me here.

Senator SASSER. Gentlemen, we can flip a coin. Who was here first?

Senator BOREN. Paul Sarbanes was actually here.

Senator SASSER. Well, if you two gentlemen say that Senator Sarbanes was here first, I would be delighted to call on him. It is always a pleasure to hear from Senator Sarbanes.

SAVINGS OVER 30-YEAR LIFE CYCLE

Senator SARBANES. Mr. Chairman, I will be brief. I very much appreciate the opportunity you have afforded to me and other interested Senators in sitting in on this hearing.

Mr. Garrett, I am probably going to cover some ground that has been covered. But I had to slip out of the room for a few minutes.

You say the Tinker basing saves \$21 million in constant dollars over the life of the fleet. That is over 30 years?

Mr. GARRETT. That is over a 30-year life cycle. Yes, sir, Senator.

Senator SARBANES. And those savings are realized equally over the life cycle. Are they front ended or rear ended?

Mr. GARRETT. I think it is equally over the life cycle. OM&N costs, the maintenance and support costs, life cycle costs of the operation over the life of the program.

As we pointed out earlier, if you look at it, it is not a significant amount of money over a 30-year period of time, \$723,000 per year in constant dollars. However, my view at this point in time is any savings is worth making.

But again, I would stress the operational advantage of basing at Tinker, as opposed to just merely the—

Senator SARBANES. Well, that leads to my next question. In terms of assigning some rough percentages to how your decision was based, how much of it was cost and how much of it was operational, and how much of it was strategic or survivability?

Mr. GARRETT. I do not know that any one quantified it.

Senator SARBANES. It is difficult to do, but if you tried to make some rough approximation of how much each of those factors weighed in your decision, what weight would you give them?

Mr. GARRETT. You are asking for my own opinion? 75-20 operational.

Senator SARBANES. And 25 on cost?

Mr. GARRETT. No; more than that certainly. And given these figures, probably—let me say, if the savings were \$3 billion—

Senator SARBANES. Would you have recommended this decision if it cost more money?

Mr. GARRETT. It depends on how much more it costs, Senator. Given the facts as I have them before me, I would recommend this decision, and I support this decision.

Senator SARBANES. Would you recommend it if it cost more money?

Mr. GARRETT. It depends on how much more.

Senator SARBANES. Well, the question is put to you. If it cost anything more—

Mr. GARRETT. I could make the recommendation, yes sir. Because my basic premise, as I said, was that I see the greatest advantage in the operational sense.

Senator SARBANES. So you would recommend this decision, even if it was more expensive?

Mr. GARRETT. Yes, sir; in fact, the Milcon is more expensive.

FUEL COSTS

Senator SARBANES. Now, in estimating the costs, what assumption did you make about fuel costs?

Mr. GARRETT. I think the assumptions were that in constant dollars the fuel costs \$1 a gallon, in 1985 dollars, but let me check with my staff, if I may. That is correct. I think it is in the report. Let me, if I may go to it.

Senator SARBANES. So you are assuming over a 30-year period that fuel costs are going to stay at the 1985 level? Is that the assumption?

Mr. GARRETT. That was using the fuel costs of \$1 per gallon. I believe that is in constant 1985 dollars. It does not anticipate that there is not going to be some fluctuation. Fuel consumption is 1,428 gallons per flight-hour. That could change as well.

Senator SARBANES. So you are assuming a constant fuel cost for 30 years in terms of making your cost projections?

Mr. GARRETT. This was only for making the comparison using the GAO guidelines that were set down in the report of 1987, I believe.

FLIGHT HOURS

Senator SARBANES. Let me ask this question. In making these statements about savings over the life of this operation, you factored into it the cost of the operation, did you not, in terms of the difference in amount of flight mileage that would be necessary, depending on where the basing is done. Is that not correct?

Mr. GARRETT. Flight hours are cranked into it, yes sir. The further you are away the longer you are going to fly, yes sir.

Senator SARBANES. Now, in making those projections, am I to understand that you assume that for 30 years the fuel costs would stay at a constant level, is that correct?

Mr. MCGOVERN. If I may, Senator, the reason that they are projecting constant dollar 1985 costs is simply for the purpose of making comparative analyses between the costs associated with basing those airplanes and bedding them down at one place, as opposed to another.

There is no assumption made in that report as to what the fuel prices will be over the next 30 years. It is an effort to make an apples and apples comparison between the cost of bedding down at one base versus the cost of bedding down at another.

Senator SARBANES. Now, wait a second. If you are bedding down at one base, and the amount of flight that is involved is this amount, and you bed at another base and it is that amount, so that the proportion that fuel costs would bear in terms of the cost of the operation, then the assumptions you are making become extremely important.

Mr. McGOVERN. Yes, sir; it does. But when you consider the fact that the Navy's operational plan is to disperse those assets, then really the only delta that I am aware of between bedding them down at a central site in the United States as opposed to a coastal site would be the distance that one will travel between that central site and the dispersal site, which is usually going to be on the coast.

So there will not be that many flights, between the central site and the coastal site as there will be from the coastal site and the main operating area. So I think we are getting into a relatively small amount of money over a 30-year life cycle, in terms of comparing the two.

Mr. GARRETT. The difference, in flight-hours, Senator Sarbanes, from the different basing locations is set out on page 22 of the report.

Basically, in each instance, you are talking approximately 1 million flight-hours over the 30-year period for the 15 aircraft. But they do vary somewhat.

Senator SARBANES. And if you make certain assumptions about fuel costs, the costs will vary accordingly.

Mr. GARRETT. That is true.

Senator SARBANES. In any event, as I understand it, your assumption on fuel costs was that they would stay constant for 30 years? That is the assumption you made in making this calculation?

Mr. GARRETT. I do not think that is accurate. For the purposes of making these comparative analyses, we used the same whether we used \$1 or \$10. Your result would be the same, I think, in terms of the differential between the basing options. We could have used \$2 as the constant figure to compare Tinker to Pax, for example.

Senator SARBANES. If you used \$10 instead of \$1, you would have had a different cost conclusion since the number of hours differ.

Mr. GARRETT. The number of hours would remain the same.

MIDCONTINENT BASING

Senator SARBANES. Are you going to have to use more planes with a midcontinent basing?

Mr. GARRETT. We anticipate using—well, there are 16 aircraft in the program, 8 and 7. Eight on one coast and seven on the other.

Senator SARBANES. If you were not basing them in the middle of the country, would you need that many planes?

Mr. GARRETT. I do not know, but I would think that it is really a function of coverage.

Senator SARBANES. Well, the GAO in its report to the committee on this issue last year said that basing at Tinker, because it was a mid-U.S. site, might require the Navy to buy an additional E-6A plane. Is that correct?

Mr. GARRETT. As a matter of fact, the Department of Defense added an additional plane to the Navy's budget in 1986 or 1987, and we are now at 16 planes in the program.

Senator SARBANES. I am not sure that is responsive to my question.

Mr. GARRETT. We are not going to have to buy an additional aircraft beyond what we have programmed.

Senator SARBANES. Well, was the one that was added for that reason?

Mr. GARRETT. I have no idea why it was added, sir.

Senator SARBANES. Well, assuming for the moment that it was, has the cost of that plane been factored into these cost comparisons?

Mr. GARRETT. The operational cost comparisons?

Senator SARBANES. No; the capital cost of the plane.

Mr. GARRETT. I do not know. The cost of the aircraft as capital investments are not included in the operating cost analysis of these basing options. That is separate and apart.

Senator SARBANES. In other words, assuming a plane was added above what would otherwise have been required because of the midcontinental basing, the cost of that plane has not been factored into the comparison?

Mr. GARRETT. The cost of none of the aircraft have been factored into this comparison.

Senator SARBANES. I understand that. But that is because you are assuming that the number of planes would remain constant under any alternative.

If that is not the case, and you assume a basing alternative that requires the addition of a further plane, it is not unreasonable to include the cost of that additional plane in the cost comparison.

Mr. GARRETT. I would agree with you. If we were going to operate with 20 planes, it should be based on 20 planes, or 16 or 15.

This is Mr. Swofford from the Office of Shipbuilding and Logistics.

Mr. SWOFFORD. Thank you. Senator, if I might respond, if you will look at page 17 of your report that we have submitted to the committee earlier, this shows a comparison of the 30-year life cycle.

In that comparison, we added all of the costs, including the procurement of the aircraft that we have been authorized to buy by the Congress.

AIRCRAFT IN TACAMO OPERATING MISSION

Senator SARBANES. How many airplanes is that?

Mr. SWOFFORD. Sixteen.

Senator SARBANES. That is right. But this does not address the question of whether under this, under some of these alternatives, the job could have been done with 15.

Mr. SWOFFORD. When we originally did the estimate of the number of airplanes that would be required to operate the TACAMO operating mission, both in the Pacific and the Atlantic, the Navy estimate was 15 aircraft.

We made that submission to the Office of the Secretary of Defense. They did a similar analysis and concluded that one additional airplane would be required.

Senator SARBANES. Because of the basing midcontinental?

Mr. SWOFFORD. It was their opinion that, yes, the mid-Conus base would require one additional airplane.

Senator SARBANES. That is right. So that is \$60 million additional cost that would otherwise not have to be incurred. If the planes were not based midcontinental. Is that not correct?

Mr. SWOFFORD. That is absolutely correct. However, the Congress went ahead and authorized us to procure 16 airplanes, the last 7 of which are in the fiscal year 1989 budget submission.

Senator SARBANES. That does not obviate if you are going to make, I think it was, was it apples and apples or oranges and oranges you gave me the example of? I forget.

Mr. MCGOVERN. Either one will do, Senator.

Senator SARBANES. I want to use the one you made reference to. But in any event, that does not obviate the necessity that that \$60 million is an extra cost that has to be factored in here.

Mr. SWOFFORD. You are correct. And in the costs of all of these options we have included the 16th airplane, and it is not clear to us, because we have not gone back and analyzed it further since those early debates 2½ years ago whether or not we could, in fact, execute the program of 15 airplanes.

So I cannot give you an up-to-date analysis on our part of whether or not we can get by with 15 airplanes, even if we were deployed from each of the coastal bases, and not in the mid-Conus.

Senator SARBANES. Well, I know now there is a scramble in a sense that I perceive to justify this decision. So I assume if that issue were revisited, you might well end up concluding 16 is a minimum number.

But it is clear in the thinking on this that at one point it was assumed that 15 could do the job. When you moved to midcontinental basing, you raised it to 16. And if, in fact, that holds, then you have got to factor in that extra \$60 million in your cost comparison, because the mission—

Mr. SWOFFORD. May I react to that, sir?

Senator SARBANES. My time is up. And I am imposing on my colleagues.

Senator SASSER. If you could make a very brief response, we are under great time pressures here this afternoon. The chairman has got some time pressures on him also.

Mr. GARRETT. I would say, Senator Sarbanes, at this point my understanding is the debate is not necessarily mid-Conus, but where in mid-Conus. And I would submit that it would not necessarily make any difference whether it's Little Rock or Tinker as to the issue of 15 or 16. The decision that was made in the 1986 or 1987 to go to 16 was premised upon mid-Conus basing per se.

Senator SARBANES. Well, let me just quote finally from a letter from the Office of the Assistant Secretary of the Navy to Senator Sasser dated March 13, 1987, which is just a little over 1 year ago.

Your letter indicated that the GAO report which Navy has not had the opportunity to review, raised the possibility of the need for a 16th aircraft. We do not agree. Our analysis clearly shows that through judicious use of aerial refueling, the procedure we use in peacetime to ensure a wartime capability, we can fully perform the TACAMO mission in midcontinents and alert bases with the current plan. Thank you.

Senator SASSER. Thank you, Senator Sarbanes. Senator Pryor.

LITTLE ROCK AIR FORCE BASE CONSIDERATION

Senator PRYOR. Thank you, Mr. Chairman. Mr. Chairman, I do thank you for holding these hearings, and especially do I appreciate the chance for us who are nonmembers of the Appropriations Committee to not only make a statement but by asking some questions.

And I think that this is an absolutely incredible afternoon, because I have never been in a hearing like this, to be honest with you, Mr. Chairman. And what I think we are trying to do, or at least I am trying to do, is to solve a mystery.

That mystery is how one day the Little Rock Air Force Base to be, or to become the recipient of this TACAMO-based operation, and then the next day it is going to Tinker Air Force Base in Oklahoma. And that is the reason I have been finding this very, very enlightening.

First, Senator Bumpers, I think, raised a fascinating spectrum of questions, and reading from mail that I had not seen. For example, saying that Don Latham and Pete Aldridge preferred Little Rock to Tinker. Is that correct?

Mr. MCGOVERN. At the time, Senator, when the Air Force was asked to survey its bases, the guidelines that we received from the Navy, in terms of what would be a viable site for them, was that the Navy did not want to have to fund any additional Milcon in order to beddown their TACAMO aircraft.

Based on that information, we analyzed the requirements and the missions that we were already performing out at Tinker and concluded that it was not a viable option. I think it then occurred to people in the Navy that there were some operational advantages, many operational advantages, both in terms of the training and the maintenance that we could provide, the indigenous maintenance that we had there, the ability to consolidate all of those things and make the most economic use of our overhead. And that is when Tinker became a viable option.

Senator PRYOR. Now, Mr. McGovern, with all due respect, you have not answered my question. I asked you did Don Latham propose moving this facility to Little Rock or to Tinker?

Mr. MCGOVERN. I do not know.

Senator PRYOR. What was his title, Mr. Latham's title?

Mr. MCGOVERN. He was the Assistant Secretary of Defense for Command, Communications, and Intelligence.

Senator PRYOR. So he had basic duties and responsibilities with communication, I guess, with our submarines, with our aircraft, with our ground facilities. Is this correct?

Mr. McGOVERN. Yes, Senator; he is one of many people in the Department of Defense who have an influence and an interest and a responsibility in that.

Senator PRYOR. And he prefers Little Rock, I believe, over Tinker, according to Senator Bumpers' letter. Now, where is Mr. Latham at this point?

Mr. GARRETT. He is in the private sector.

Senator PRYOR. And how long after he left his position there did he leave for the private sector?

Mr. GARRETT. I think Mr. Latham left in 1986 to go into the private sector.

Senator PRYOR. And he was not in agreement with this decision?

Mr. McGOVERN. If I could, Senator, I think he left in 1987. I think this decision was made before he left.

Senator PRYOR. It was made almost at the same time he left, is that not correct?

Mr. McGOVERN. I do not know that, Senator.

E-6A/C-130 JOINT BASING

Senator PRYOR. If my facts are correct, that is the time sequence. Admiral Rich, the original intent of E-6A TACAMO's was to sort of join these with the C-130's. That was the intent for some number of years. Is this correct?

Admiral RICH. Not to my knowledge, sir. I have only been in this program for 1 year, but I am not aware that there was an intent to join the two.

Senator PRYOR. I am quoting from the GAO report. I think reference has been made to this report of April 1987.

I quote, the E-6A TACAMO's were originally expected to be based at the same location as the EC-130's.

Admiral RICH. Yes, sir; but they were to replace the EC-130's.

Senator PRYOR. However, in January 1986 the Secretary of the Navy, and I am still reading, directed the Chief of Naval Operations to, quote, I will put that paragraph, it is rather long, in the record, take immediate action to arrange for the Air Force to provide hangars, et cetera. So basically the policy was changed in 1986?

Admiral RICH. To my knowledge, that is correct, yes sir.

Senator PRYOR. Now, did you support the idea that the E-6A TACAMO's then would come in and join in with the C-130's at those bases and then ultimately replace them? Did that sort of make sense to you?

Admiral RICH. I was not here at that time.

Senator PRYOR. You were not here?

Admiral RICH. No, sir.

Senator PRYOR. That is the problem.

Admiral RICH. Yes, sir; when I arrived on the scene, there was already a Navy decision that we would be going to Tinker Air Force Base.

Senator PRYOR. Does the Tinker base have C-130's?

Admiral RICH. No, sir.

Senator PRYOR. And does the Little Rock Air Force Base have C-130's?

Admiral RICH. Yes, sir; but it is not intended to ever bring the C-130's to those bases in either case.

Senator PRYOR. Well, the C-130's were already at the Little Rock base.

Admiral RICH. Yes, sir; but it is not intended for us to bring our EC-130's there, no matter what we do, no matter what the basing decision. We are going to do the TACAMO transition at Barbor's Point and Pax River.

Senator PRYOR. The General Accounting Office, once again reading from the GAO report of 1987, states that they cannot verify the cost analysis. This I guess would be for Mr. McGovern.

They have stated they could not verify the cost analysis which the Navy used with regard to justifying the movement from taking off the list Little Rock and putting first on the list the Tinker base in Oklahoma.

GENERAL ACCOUNTING OFFICE FINDINGS

If I may ask this, if the GAO finds that, in fact, they can no longer further verify your cost analysis, or if they find that, in fact, the Tinker move is more expensive than the Little Rock earlier decision, then I ask you this question. Will you agree to live by the new GAO findings?

Mr. GARRETT. I would not be in a position to take a position on that, Senator, until I see what those findings are.

As I said to Senator Sarbanes, speaking as the Under Secretary of the Navy, even if it did cost more from an operational point of view, my inclination would be to go with the most operationally efficient situation that the Navy would be faced with.

I mean, I have already acknowledged that the savings, even as the Navy has portrayed the savings, are not that significant over a 30-year period of time. As the chairman pointed out, we obviously functioned with a very sharp pencil, because \$21.7 million over a 30-year cycle is not that much money. And I would not commit to do that—agree to live by the new GAO findings—on behalf of the Navy at this point. I do not think I am in a position to do that, sir.

Senator PRYOR. Mr. Garrett, thank you. Mr. Chairman, I thank you.

Senator SASSER. Senator Boren?

AIR FORCE/NAVY JOINT PROGRAM ON BASING

Senator BOREN. Thank you very much, Mr. Chairman. Again I want to express my appreciation for you taking the time to allow the other members who have an interest in this matter to come and be guests of the committee today and to participate, because I know with your schedule that is a sacrifice on your part, and I appreciate it very much.

I would say in the beginning that I find it a little difficult to understand why we are resisting or slowing down a decision that will save the taxpayers money. I know I hear again and again, why can we not save money in the defense budget?

Here we have a study that indicates \$21 million of savings. I heard a comment made earlier that we are a Department of Defense, and many of us have been urging for some time, why do the services not quit fighting each other and work together for the benefit of the American people for efficiency in our military operation?

Here we have the Air Force and the Navy saying, we want to do exactly that, we want to save \$21 million. We want to have the basing facility located where the maintenance expertise is present and the maintenance facilities are present. And I have to say I do not understand why we are resisting.

I think the important thing is not how did we get to this point. It would not surprise anyone that the Oklahoma congressional delegation has advocated Tinker. I would hope that we would.

And anytime that we have a particular operation that could be based there and save the taxpayers money and be operated with efficiency, I hope we would bring that to the attention of those in the Defense Department.

I think that is appropriate for us to do, just as it would be appropriate for other delegations from other States to do the same thing.

I would point out, is it not true that both the House Armed Services Committee and the Senate Armed Services Committee now for 2 years in a row have authorized the Milcon construction so that we can proceed ahead with the decision as you have advocated?

Mr. GARRETT. That is my understanding, sir.

Senator BOREN. And House Appropriations Committee has again approved it this year, as I understand.

Mr. GARRETT. That is correct.

Senator BOREN. Do we then face additional costs the longer we delay moving forward on this matter?

Mr. GARRETT. It has been my experience, Senator, any time we delay, we incur additional costs.

GENERAL ACCOUNTING OFFICE STUDIES

Senator BOREN. So I would hope, and again let me say, we have had the GAO studies, we have had this study, we asked the Navy to come back, they have come back I think with a very thorough study.

Did you use GAO suggested methodology? Did you try in this report to follow all the methodology which they suggested in their earlier reports?

Mr. GARRETT. My understanding is that we did, sir.

Senator BOREN. So I hope we would not delay further, and we can argue back and forth as to which Congressman called whom.

But the bottom line is, it saves \$21 million and it makes sense. And when you have a decision that makes sense and saves \$21 million, I think that is a decision that should not be postponed or delayed any further.

There was a question raised about Mr. Latham. I understand the basing decision was announced in July 1986. Is that correct?

Mr. McGOVERN. That is correct. If I may, Senator, while you are on that line, let me just correct something, or shed some light on a matter that Senator Pryor brought up.

Here is a memo that was just handed to me. Don Latham was still on board at the time. And I want to emphasize that Donald Latham was subordinate to the Secretary of Defense who made this decision. That is why we have a Secretary of Defense. This is a letter from Pete Aldridge, who was then the Secretary of the Air Force, to Will Taft, the Deputy Secretary of Defense.

"Will, there is a lot of misunderstanding about the Air Force position on the E-6 TACAMO being based at Tinker Air Force Base. We do not object"—we, the Air Force—"do not object to the E-6 at Tinker so long as it does not affect Air Force operations there. Any military construction at Tinker must fully support Navy operations. Under these conditions we can accept the Navy's E-6 operations at Tinker. That has been our approach all along."

Senator BOREN. So Mr. Latham did not leave until 1987, and clearly by this communication he was not objecting to it. And he was, in fact, still on board at the time the final decision was entered into. Is that correct?

Mr. McGOVERN. I cannot say whether or not he was still objecting to it. We always have disagreements in the Department of Defense over many matters, and that is why, as I said, we have a Secretary of Defense.

Senator BOREN. According to the letter you just read, he was saying—

Mr. McGOVERN. This is from Secretary Aldridge. Secretary Aldridge was not disagreeing.

Senator BOREN. Mr. Latham was still in place at the time the decision was made in July 1986?

Mr. McGOVERN. That is correct.

Senator BOREN. So whatever his view, it was considered at the time. We have had some discussion about the fact that there is a dispersal, rather wide dispersals of facilities at Little Rock, versus the ability to have a centralized operation for efficiency at Tinker.

SECURITY ISSUES

Are there also security concerns in terms of having facilities fairly concentrated?

Mr. GARRETT. I am not sure, Senator. Admiral Rich, you might address the security issue.

Admiral RICH. Yes, sir; there are. There is no question about that. However, predominantly, you have got to secure the aircraft communications facilities and those things that are critical to the mission accomplishment.

You could obviously have other facilities for some parts of your training, the administrative spaces that did not have to be secured. But obviously, it is much more efficient and cost effective to have them all in one place.

Senator BOREN. So from a security point of view in terms of cost of security and efficiency of security, Tinker would have the advantage?

Admiral RICH. Yes, sir; because it will all be self-contained in one small area.

Senator BOREN. In your cost comparisons, what did you assume in terms of the costs of maintaining the existing facilities at Little Rock and whether or not any of those need to be replaced?

I wonder what the age of the various buildings is at the Little Rock facility, and their state of repair, and when they were last renovated and modernized?

Mr. GARRETT. I cannot answer that question definitively. But I would be happy to for the record, Senator Boren.

The report, as I reviewed it before I sent it out, talked in the aggregate life cycle cost, Milcon cost, but did not break down for me unit by unit of the cost comparison.

Senator BOREN. I am told there is a \$2 million maintenance assumption. Is that correct?

Mr. SWOFFORD. That is correct, Senator, yes.

Senator BOREN. Does that assume there would not be any buildings actually replaced, but merely maintaining existing facilities?

Mr. SWOFFORD. Merely maintaining and upgrading.

Senator BOREN. Do you know in terms of bachelor enlisted quarters the age of those barracks at Little Rock, and whether they would meet the current DOD standards for BEQ space?

Mr. SWOFFORD. I do not.

Admiral Rich. Our people who visited there indicated they would meet the standards, they thought. Some of them are older buildings in terms of the administrative area.

STATUS OF FACILITIES

Senator BOREN. Could you perhaps supply for the record the age of those facilities and the other facilities and their current state of maintenance?

[CLERK'S NOTE.—Information relating to facilities is retained in the subcommittee files.]

DEPOT LEVEL MAINTENANCE

Senator BOREN. Because this is an Air Force facility, and like Senator Nickles I visited with General Bowden and others, and found not only acceptability on their part but indeed very great enthusiasm for the possibility of having the program there, because it will further develop the maintenance skills because of the commonality of airframe and skills required in maintenance.

How important in terms of making a final decision as to where you best can carry out your mission and your operation for the permanent basing, if having the maintenance, the full-blown, full-service maintenance facility present with those skills and that commonality at the same location.

As has already been indicated in the answer to Senator Sarbanes' question, it is my understanding you are not really planning on a daily basis to ferry all these planes back and forth between their coastal operational areas in the central base, that there is going to be significant amounts of dispersal on the two coasts and in the operational areas.

But principally, what you are having, the base operation is to have the support infrastructure, the maintenance infrastructure. As I understand that correctly, that in the maintenance, the maintenance availability becomes one of the most critical factors in terms of whether it makes sense to have the permanent base?

Mr. GARRETT. Especially the depot level maintenance, yes sir.

Senator BOREN. And if you had a base somewhere else, you have got these planes in their operational areas in their alert status.

If you had a base elsewhere, other than at a depot maintenance kind of facility, where you have all of the infrastructure there and the skills there, you would really be faced then with the task of ferrying those planes from the home base over to the depot maintenance on a pretty regular basis anyway, would you not?

Mr. GARRETT. Well, as I pointed out, that, I think, would be the manner in which it would function.

If the Navy was forced to go to Little Rock, we would have to fly the aircraft from Little Rock to Tinker to perform that depot level maintenance.

Senator BOREN. And also you would have really the full service center in terms of maintenance, even on smaller items that might sometimes reduce your degree of readiness that you have everything, assuming the depot level maintenance there at Tinker.

Mr. GARRETT. I think you are absolutely correct, Senator. And of course, the single base concept eliminates the need for duplication.

Senator BOREN. So really what you are talking about, for security reasons and survivability reasons, you have felt that the central corps base, with that infrastructure, should be located inland, you are still going to have on alert, operational, significant numbers of aircraft on the two coasts.

So what we are really talking about is, if you select a base other than a base like Tinker, which has the depot maintenance capability, you are simply adding in an unnecessary fourth step.

Whenever you have a central base, you are going to have to bring these planes, not often but when they come in for major maintenance and so on you are going to bring them in from the two coastal areas.

So instead of just having that one operation you now have to add an additional one of bringing it to the homebase and then taking them over to the depot maintenance. Is that a correct statement?

Mr. GARRETT. Essentially, that is correct, sir. And it just makes sense to us to avoid that.

Senator BOREN. Well, thank you very much. I want to commend you, and I would like to think, and I feel sure that I would be commending you, even if I were not from Oklahoma, because if this were going to be more costly and less efficient I would like to think that I am concerned enough about the national interest that I would not be here advocating it.

You have clearly made a decision that saves money, is in the national interest, in terms of efficiency, and I just express the hope to Mr. Chairman and members of the committee that there will not be further delay, that the two authorizing committees 2 years in a row have acted, we have now gone through the third study.

And if we study this any more, keep studying it and keep studying it, we may find a way yet to lose these savings by continuing to increase the costs of whatever we're going to have to do by decision postponement. So I hope we will be able to move ahead.

Senator SASSER. Senator Bumpers?

REASONS FOR TINKER AIR FORCE BASE SELECTION

Senator BUMPERS. Secretary Garrett, can you give me some idea of why the Air Force would give the Navy a list of 20 air bases that might be suitable for this and Tinker not be included? The winner 1 year later which is chosen is not even on the first 20?

Mr. GARRETT. Senator Bumpers, I asked the same question myself.

Senator BUMPERS. What was the answer you got and from whom?

Mr. GARRETT. I just got the answer that it was not in the mix, it was not in the mix as you pointed out when it was cut to seven. Possibly the Air Force can answer the question. I cannot answer.

Senator BUMPERS. Can the Air Force answer the question?

Mr. McGOVERN. Yes, sir; I think we can. And I tried to earlier.

That is, that we got the guidance from the Navy, and obviously in trying to satisfy what we felt is their needs in terms of the selection of bases, one of the guidances we got was that they did not want to have to fund any additional Milcon at any base that they chose to beddown. They would like to use the existing Milcon facilities as much as possible.

It later occurred to folks in the Navy that we ought to also consider the indigenous maintenance capabilities at bases around the continental United States, and then when we started to do that we looked at the commonality between the E-6 and some of our aircraft out there, AWACS, KC-135's, et cetera, the engines and other components, avi-

onics components. And the training and the aircrew commonality. It just made sense to place it at Tinker.

And that operational maintenance capability, I think, outweighed the concern that the Navy earlier had about the Milcon costs, because they thought that from a cost point of view they would be able to save more.

Senator BUMPERS. Up until that time it never occurred to the Navy or Air Force that they had the E-3's at Tinker and that these were going to be comparable airplanes? It never occurred to anybody that you could save all this money on maintenance at that point? They were interested only in Milcon?

Mr. McGOVERN. Actually, from my discussions with people in the Navy, when I ask the same questions, my understanding is that Tinker had been discussed at various levels in the Navy for quite some time before that. It wasn't something that just came up at the end.

Senator BUMPERS. Could one of the reasons have been the letter from Major General Williams, we've got no room for you, we don't have any way to train people over here, we couldn't shoehorn you in without moving somebody out?

Mr. McGOVERN. That gets back to the question of whether or not at the time the Navy was willing to fund additional military construction facilities.

We were not going to be able to shoehorn the Navy into Tinker with existing facilities, because we have a fairly robust operation out there now.

USE OF GENERAL ACCOUNTING OFFICE ACCOUNTING PROCEDURES

Senator BUMPERS. Secretary Garrett, you answered a question a while ago, and you said, so far as you knew, this report used GAO accounting standards.

Mr. GARRETT. The methodology that was used in the GAO report, that is what I was told, Senator.

Mr. SWOFFORD. That is correct, sir.

Senator SASSER. Senator Bumpers, if I could interrupt for just a moment. We have been at it now for 2 hours and 40 minutes. And if the Senators do not object, what I would like to do is go to a 5-minute questioning. You have still got some time left. But maybe we could move things along a little faster. Proceed.

Senator BUMPERS. Mr. Chairman, I have three rather important questions that might take a little longer than that.

Senator Sarbanes. Mr. Chairman, I yield my time to Senator Bumpers, to let him complete his questions.

Senator SASSER. All right.

Senator BUMPERS. I thank the Senator. The GAO's report, critiquing your first report, said, moreover, the cost comparison did not consider the time value of money. To compare two or more cost alternatives on an equal economic basis it is necessary to consider each cost at its discounted or present value.

Can you show me in your second report where you discounted the Milcon costs at Tinker?

Mr. SWOFFORD. No, sir; I cannot. Our major objective in this report was to make sure it was consistent with the assumptions that we had used earlier. And those which we had talked about with the GAO.

We have, in fact, however, done the present value calculation. That calculation remains that it saves money to base the aircraft at Tinker, even though on a discounted dollar basis.

Senator BUMPERS. Now, you are saying that you save \$21 million by going to Tinker. And yet you are telling me that you did not discount the money.

And our calculations show that you save \$7 million to \$21 million, which is almost enough to wipe out what you say the savings are. If you discount it, the OMB circular requires you to discount it.

Mr. SWOFFORD. That is correct.

Senator BUMPERS. The GAO's accounting procedures, the methodology required to do that, and yet you did not do it.

Mr. SWOFFORD. Yes; we did.

Senator BUMPERS. Show me in that report where the figure for discounting is shown.

Mr. SWOFFORD. We did not show it in the report because we wanted to make the report consistent with the report we had done earlier, so that you would not get, the committee when they reviewed it would be able to compare the numbers in this report to the one that was done earlier.

Senator BUMPERS. The GAO criticizes you on your first report for not doing it. Why would you want to make it consistent when they said you should have done it?

Mr. SWOFFORD. The only issue that GAO raised, other than the question, the verification issue, when we went through the discussions of how we made the cost estimates, they of course had not visited any of the bases. And so they had to take the numbers as we gave them on face value.

Senator BUMPERS. We did not visit the bases either. We took your figures.

Mr. SWOFFORD. I understand that.

Senator BUMPERS. And we did our own discounting in our office, and we came up with a figure of \$7 million to \$21 million in savings.

Mr. SWOFFORD. That is exactly right. So in this particular report, so that we made sure that we did not confuse the cost categories in report two, we left the report in constant 1985 dollars.

In a discounted stream using the OMB indices, as you suggested, we get the same answers as you do, about \$10 million is the savings on a discounted dollar basis.

Senator BUMPERS. My time is short, so let me move to another subject.

HOUSING AT TINKER AIR FORCE BASE

You show no housing at Tinker, and yet there is a 9- to 24-month waiting period for the people who are there already for base housing. And you are going to move 1,600 people in there. And you say they can live out in the community.

Even though nobody wants to live in the community, you have got all these applications for base housing, and you do not have one dime in there for it. If the Oklahoma city economy begins to recover, what happens then?

Mr. SWOFFORD. Senator, we had no basis on any location to assess the need for base housing.

Senator BUMPERS. You had \$2 million in for an addition to the officer's club in your first report, and you do not even show that in this report.

You do not show any addition to the dining room facilities, even though the GAO says you need at least 15,000 square feet. I take that back, that was for the officer's club.

But it says your officer's club facilities are woefully inadequate now. You are going to move 1,600 more men and women in there, and you say you do not need any additional space for them.

Mr. SWOFFORD. In the case of base housing, sir, in the Navy's case today at Barbor's Point and at Pax River, most of our people live on the economy.

In fact, both in the Air Force and the Navy that is the case. We had no basis to make an assumption on base housing in any of the options that we did, because we did not honestly know how to make it.

Both at Little Rock and at Tinker, we have been told there is adequate housing on the economy that is available at price ranges much under what our people are now paying.

Senator BUMPERS. Let me interrupt you just a moment. If that is true, why did you put \$18 million in there for base housing in your first report at Tinker? And in this report you have zip, nothing?

Mr. SWOFFORD. I frankly cannot answer that, because I do not remember why we had it in there.

Senator BUMPERS. That is why we are here. We want to find that out.

Mr. SWOFFORD. Well, I will provide that for the record.

JOINT READINESS TRAINING COMMAND

Senator BUMPERS. Now, in the final analysis, you also say that base housing may be a problem at Little Rock because there is a Joint Readiness Training Command that has moved in there since your first study.

Mr. SWOFFORD. Right.

Senator BUMPERS. The Army, you know, did not intend to leave that at Little Rock for any prolonged period of time. Have you talked to the Army about whether that housing is going to be available?

Mr. SWOFFORD. Our understanding from the Army is that they are going to be there indefinitely. And I believe the Air Force has other

plans for the bases, which Under Secretary McGovern may want to address.

Senator BUMPERS. Finally, let me ask you this. Incidentally, you are going to be moving, going to be increasing the personnel at Tinker by 20 percent, and you have nothing in here for housing.

That is right. There are 7,700 people at Tinker right now, and you are going to be bringing another 1,600 in there, that is a 20-percent increase. Now, let me just ask you one other question.

How many people are you going to bring from Hawaii and Maryland out of the people that are present in your existing TACAMO squadrons, how many of those are you going to bring to Tinker? Anybody? Secretary Garrett?

Mr. GARRETT. I would have to provide the exact figure for the record, Senator.

PERSONNEL IN E-6 MAINTENANCE

Senator BUMPERS. How many of those people are checked out in maintenance of the E-6?

Mr. GARRETT. Probably those who are presently in the squadrons are not.

Senator BUMPERS. They are not checked out in the E-6 and will have to be trained, will they not?

Mr. GARRETT. Yes, sir; and we will have the facilities there to bring them up to speed quickly.

Senator BUMPERS. Now, General Williams says that you cannot use his people because his people are already overtaxed at Tinker. I am talking about the maintenance of the E-3's that are there now, the AWACS planes that are there now. He says we do not have room. You have got to bring new mechanics, you have got to bring new everything.

Now, you are telling me about all these things you are going to get in operation there. Whether you go to Little Rock or Tinker you are going to have to train a lot of personnel on this aircraft. Are you not?

Mr. GARRETT. The personnel will have to be trained, Senator. There is no question about that.

And I do not know that what he said in 1985 or 1986 necessarily holds true today. I have representations from the leadership of the Air Force that they will provide the support to the Navy that we need.

Senator BUMPERS. But you indicated that you are going to save all this money because of existing facilities there. And you are going to have to train all new people, because you cannot use the ones that are there now. And you say this is where a lot of the big savings are going to come from.

Mr. GARRETT. I think, if I may, Senator, I may have misspoken, and if I did, I apologize.

I think what I said, as it related to the operational integration, if you will, and commonality, it is very hard to quantify the savings that the Navy will realize. The Navy is going to have to train people. Whether

we train them at Barber's Point, Tinker, Jacksonville, or wherever, we are going to have to do it.

What provides the Navy the better situation at Tinker is that the Air Force already has in place an infrastructure. They already have people who are trained.

Senator BUMPERS. But you are not going to be able to use them, Mr. Secretary.

Mr. McGOVERN. Senator, if I can, the Navy is fully funding its training at Huntsville, AL.

General Williams comment, made several years ago, was referring to the facilities that we have at Tinker. We, through the Navy's funding, are going to increase those facilities.

The advantage that we have in also having the expertise, the maintenance expertise, at Tinker is that when they run into the inevitable thorny problems that you run into in maintaining this new aircraft, that we have people there who have operated these aircraft, similar aircraft, with almost identical engines, similar avionics parts.

And obviously with the consolidation of all that overhead we are going to be able to have fewer replenishment spares, and we are going to be able to share operational experiences between our crews that are operating similar basic platforms to that of the E-6A.

Senator BUMPERS. One last question. Secretary McGovern, what was the date of the letter you said that Donald Latham, you said he did not object, what was the date of that letter?

Mr. McGOVERN. This was an October 6, 1986, letter, signed by Secretary Aldridge to Will Taft, not Donald Latham.

Senator BUMPERS. It was not from Latham?

Mr. McGOVERN. No, sir; the reason I brought that up was that earlier Senator Pryor had indicated that both Secretary Aldridge and then Secretary Latham had disagreed with the Tinker decision.

MILITARY CONSTRUCTION AT TINKER AND LITTLE ROCK

Senator BUMPERS. Mr. Chairman, I just want to cite this for the record. In their first report they showed military construction at Tinker would be \$107 million, and at Little Rock it would be \$29 million. And the report was laughable. And the GAO called it laughable.

So now they come back here last week with another report, and they cut the military construction at Tinker to \$71 million. That is about \$36 million lower. And they have increased the construction at Little Rock by \$20 million.

And when you change the mix, you come out with a little better deal for Tinker Air Force Base. And I submit that these figures are as phony as a \$3 bill. They are made to justify a political decision.

Senator SASSER. Senator Nickles?

Senator NICKLES. Mr. Chairman, A couple of questions. One, I ask your consent to insert a written statement in the record prior to my first opening comments.

Senator SASSER. Without objection, it will be included.

Senator NICKLES. Mr. Chairman, what is the schedule? You are planning on markup in committee on June 7?

Senator SASSER. Yes; we are. I would say to the Senator, I am undecided what to do about this particular item at this juncture.

Senator NICKLES. Mr. Chairman, I had heard there was a possibility that you would be deferring to the full committee, and regardless we are going to wrestle with this at one point or another, whether it be in the subcommittee, full committee or on the floor. Maybe all three.

Senator SASSER. What I would like to do is perhaps defer it to the full committee. I want to go ahead and try to do our markup and get our military construction bill done. And I am trying to devise some means so that this particular item is not going to delay us.

Senator NICKLES. Could I ask the chairman, if that be the case, if he would at least not fill up the money that is allocated under the appropriation allocations.

In other words, save the money that we have, which is \$12 million for 1988, and I think \$38 million for 1989. So when we dispose, we can move as rapidly as possible.

Senator SASSER. I think that is a reasonable request.

Senator NICKLES. I thank the chairman. I appreciate your cooperation.

I would also like to ask, since you are looking at a markup in subcommittee on the 7th and full committee on the 9th, that is the Tuesday and Thursday after we return, 2 weeks from now, if our witnesses would cooperate and answer as many questions as possible, as soon as possible, so we would have those for our future discussions either before the committee or before the Senate as well.

Mr. GARRETT. We will endeavor to do that, Senator.

Senator NICKLES. I appreciate it. I also want to make a couple of comments.

SUPPORT FOR TINKER BASING

I have heard things about phony numbers, a lack of cooperation, political settlements, desires, and so on. I would disagree. I think both the Navy and the Air Force has been quite accommodating, not just because they chose Tinker Air Force Base.

I think, Mr. Chairman, this hearing has been educational. And really, when one compares the military question, not just strictly economics, I do not think there is any question whatsoever that these airplanes should be based at Tinker Air Force Base and they should be maintained there.

I do not see any question whatsoever. It is not even a close call. When you talk about maintenance, there are so many things that are unquantifiable. There are so many things that you cannot really put a dollar amount on.

When we talked about training, Senator Bumpers mentioned the fact that some of the people who are now working on the 130's would have to be trained for the E-6A's.

But the fact is that you have commonality in training and people who have been working on similar aircraft, whether it be the 135's or the AWACS. They have worked on those aircraft in those crews for years.

I cannot help but think that there would be so much of an advantage in training the new people, that the savings are significant. And I do not think those savings are really shown.

I think Senator Boren mentioned the fact of security, and that Little Rock would be spread out over a couple of miles. This would be a more contiguous headquarters and proposition, much more secure. There are savings in security.

Mr. Chairman, we have a rollcall, just for my colleague's information, that just began.

Senator Bumpers alluded to the fact that there was not money in the budget for headquarters. There is. There is \$3.3 million. He mentioned something about a dining hall. There is \$1.5 million out of the moneys that are proposed, out of the \$71 million in construction.

So again, I think it is important to look at the facts—the economics. I think the economics dictate Tinker Air Force Base. And I think militarily, it is not even close. And again, I appreciate the cooperation of the chairman and also of our witnesses today.

Senator SASSER. That is a rollcall vote. Senator Boren indicates that he can very quickly——

Senator BOREN. Mr. Chairman, thank you. I can add a couple of points very quickly.

DEPARTMENT OF DEFENSE POLICY ON FAMILY HOUSING

Is it not true that it is DOD policy generally now that family housing needs should be met by the local community? Is that not general policy now, as much as possible?

Mr. GARRETT. I cannot say that is DOD's policy. But certainly——

Mr. McGOVERN. It is DOD policy, sir.

Senator BOREN. Is it not true there is about an average of about 1 year waiting list on all bases around the country in terms of availability?

Mr. McGOVERN. In the Air Force, no sir. Not any more. At many there are. It really varies from base to base. It can be anywhere from 1 month to over 1 year.

Senator BOREN. We do have in the bachelor enlisted quarters in this Milcon \$3.3 million. So there is actually money for housing in this estimate, is there not?

Mr. GARRETT. For the bachelors, the young men who would live on base, yes sir. They, of course, could live off-base, if they so choose.

ECONOMIC SITUATION IN OKLAHOMA

Senator BOREN. Let me just point out, and I would say this to my good friend from Arkansas.

I would like to have the problems that they have there, with the Army readiness program coming in to Little Rock, and others. And I wish that these figures that I want to put into the record about Okla-

homa were not true, because they show what a difficult period through which we are now passing.

But we have an abundance, unfortunately, as I think everyone here knows, three out of the four largest banks in Oklahoma City have gone down. We are in a virtual depression there. Last week we had multiple listings of 11,000 homes for sale in the Oklahoma City area.

HUD, which was not included in that list, has another 1,200 repossessed units for sale. There are 16,000 units for rent in the immediate area of Tinker. The fourth quarter of 1987, the price of an average home in Oklahoma City was \$74,000. The mean price nationally was \$92,000. The average apartment rent was \$563 versus \$711 for the average cities.

And I just have an article from the paper as of yesterday, this is an AP national story. "Home Prices Drop Sharply in Oklahoma." This shows even since this 1987 figure home prices continue to plummet in Oklahoma and Texas during the first 3 months of 1988.

And I am sorry to say, but Oklahoma City again led the list of the entire Nation. It says, Oklahoma City posted the largest drop in the Nation, 9.5 percent further drop in prices since last year.

So I just point that out to say not only was it appropriate for you to do that, for you to consider the community availability of housing, there is unfortunately, from the point of view of our general economy, no better housing bargain in the United States right now, both in terms of apartment rent and available houses, than there is in Oklahoma City, because of the depression that is going on there.

And that is, I think, something that has to be considered when you are looking at housing availability. And so I wonder even if it is appropriate to include the \$3.3 million for the bachelor enlisted quarters with this kind of availability of housing at such very low costs, virtually all around the base area. I mean, literally, almost a walk across the street. Mr. McGovern?

RAIL GARRISON PROGRAM

Mr. MCGOVERN. May I just comment? I do not want to suggest for a moment that the decision to beddown at Tinker was made for this reason, but it does complicate the decision now that we have the rail garrison program, and hopefully this committee will seek to fully fund that program in the 1989 budget.

But the rail garrison program, one of the very viable options is to base that at Little Rock. That does complicate the decision here as to whether it is Tinker or whether it is Little Rock.

Let me also say, Mr. Chairman, I think as I have been listening to the conversation, and the committee as usual has asked very penetrating questions. This has always been the case, particularly with this subcommittee. But I think we may have our eye on the hole of the doughnut as opposed to the ring of the doughnut.

When you consider that this particular part of our triad, we are talking about a program that probably costs on the order of somewhere in

excess of \$60 or \$70 billion, when you include the investment that we are making in those Trident submarines, in those TACAMO aircraft, in the D-5 missiles, and in the personnel and operating costs that go along with those, and I have yet to hear a figure here, although we have been throwing them all around, of savings that could be made from zero to \$65 million.

And you compare that with costs in excess of \$60 or \$70 billion, then it is clear that the most important consideration here is to make certain, as the chairman indicated earlier on in his statement, the most important thing here is that we provide an effective communications link.

The timeliness of that link, the ability to train aircrews, the indigenous depot maintenance facility, are more important when we are talking about trying to keep viable a \$70 plus billion force that is one of the most critical parts of our triad. Sixty-five million dollars, which is the largest savings that I have heard this afternoon, even with the present discount rates and all of the other things, is a notional amount compared to the importance of having that system able to communicate and able to effectively operate.

And that is why Tinker makes sense, not whether or not we save \$20 or \$60 million.

Senator Sarbanes. But Mr. Secretary, you are the ones who advance the rationale to support your decision. And the difficulty here is that as your rationale gets examined it does not hold together.

We are being told today that statements and letters and comments made in 1985 or 1986 or even in 1987 ought to be disregarded, because circumstances have changed. You have the overwhelming sense of a decision made for other reasons, now in search of a rationale, rather than a rationale that really supports the decision.

Mr. McGOVERN. Senator, the important issue is the viability of that mission, and having the maintenance facilities there, and having the expertise there.

Wisdom comes so seldom in life that it ought not to be rejected just because it is late. It occurred to some people, I think, that we should consider the operational side as more important than whether or not we save \$20 or \$30 million.

Senator SASSER. Gentlemen, we have a vote on the floor. We have got about 7 minutes to get there.

I will place in the record for the classified portion of the session a copy of the previous classified session of the Department of Defense Subcommittee, which Senator Stevens discussed. And I want to put it in the record, or ask that it be put in the record at the point where Senator Stevens asked the Navy for some responses.

[CLERK'S NOTE.—The material referred to is classified and will be retained in the subcommittee files.]

CONCLUDING REMARKS

Senator SASSER. We will recess the subcommittee, because I am advised that the Senators have exhausted their questions and statements. That is the advice of staff. In that instance, we will recess the subcommittee, and I am sure we will revisit this issue again on another day.

In fact, we may have to revisit it again and again and again. But the subcommittee will stand adjourned.

[CLERK'S NOTE.—The following statements were submitted for inclusion in the record.]

OPENING STATEMENT BY SENATOR BUMPERS
MILITARY CONSTRUCTION APPROPRIATIONS SUBCOMMITTEE HEARING

I WANT TO BEGIN BY THANKING THE MILITARY CONSTRUCTION SUBCOMMITTEE, AND ITS DISTINGUISHED CHAIRMAN, FOR ALLOWING ME TO ATTEND THIS IMPORTANT HEARING TODAY ON BASING FOR THE E-6A TACAMO AIRCRAFT.

THE TACAMO BASING ISSUE IS NOT JUST A CASE OF SENATORS FIGHTING ON BEHALF OF THEIR STATE. WHILE I WOULD PREFER THAT TACAMO BE BASED AT LITTLE ROCK AIR FORCE BASE, I WOULD UNDERSTAND IT AND NOT COMPLAIN IF THE FACTS AND CIRCUMSTANCES SUPPORTED THE NAVY'S DECISION IN THIS CASE. THIS HAPPENS FROM TIME TO TIME, AND ALL SENATORS UNDERSTAND THIS.

BUT WHEN THE NAVY SELECTS A BASE THAT WAS NOT EVEN AMONG THE INITIAL 20 CANDIDATE BASES, MUCH LESS THE FINAL LIST OF SEVEN, I GET SUSPICIOUS. AND WHEN INTERNAL DOD MEMORANDA APPEAR IN MY OFFICE IN A PLAIN BROWN ENVELOPE THAT INDICATE SIGNIFICANT OPPOSITION WITHIN THE PENTAGON TO THE NAVY'S DECISION, I GET EVEN MORE SUSPICIOUS. AND WHEN THE NAVY REPEATEDLY MAKES QUESTIONABLE COST ANALYSIS ASSUMPTIONS TO JUSTIFY ITS CHOICE, I GET MORE SUSPICIOUS STILL.

I AM ALSO TROUBLED BY THE FACT THAT THE NAVY'S COST NUMBERS KEEP CHANGING WITH EVERY NEW STUDY THEY DO. IN MARCH WE WERE TOLD THAT TINKER MAIN OPERATING BASE FACILITIES COSTS WOULD BE \$80 MILLION. TWO MONTHS LATER WE'RE TOLD IT WILL BE \$71 MILLION. TINKER'S OPERATING COST ADVANTAGE OVER LITTLE ROCK AFB FOR 30 YEARS WAS ESTIMATED AT \$36.2 MILLION IN MARCH, BUT AT \$42.6 MILLION TWO MONTHS LATER.

I WOULD LIKE TO BE ABLE TO ACCEPT THE NAVY'S CURRENT STUDY AT FACE VALUE. TRUST IS VERY IMPORTANT TO THE EFFICIENT FUNCTIONING OF OUR GOVERNMENT. BUT THE NAVY'S TRACK RECORD ON THIS ISSUE HAS NOT BEEN ONE THAT INSPIRES TRUST, AND THIS LATEST NAVY REPORT RAISES AS MANY QUESTIONS AS IT ATTEMPTS TO ANSWER. I DON'T MIND LOSING A FAIR FIGHT, BUT I DO NOT WANT POLITICAL CONSIDERATIONS, OR OTHERS NOT RELATED TO OUR NATION'S SECURITY, TO DETERMINE WHERE TACAMO PLANES GO.

UNTIL ANY FINAL DECISIONS ARE MADE ON THIS ISSUE, I BELIEVE THAT THE COMMITTEE WOULD DO WELL TO HOLD THIS ISSUE IN ABEYANCE UNTIL THE GENERAL ACCOUNTING OFFICE COMPLETES ITS REVIEW OF THE NAVY'S NEWEST REPORT, AND THE NAVY RESPONDS TO THE QUESTIONS THAT WILL BE ASKED HERE TODAY.

STATEMENT OF THE HONORABLE BARBARA A. MIKULSKI
UNITED STATES SENATOR, MARYLAND

I want to thank Senator Sasser for holding this hearing on the Navy's most recent report on its proposal to base its TACAMO squadrons at Tinker Air Force Base, Oklahoma.

We all know how important the TACAMO squadrons are for our country's security—they are the key communication link between the President and our submarine fleet. Without them, our strategic TRIAD is severely weakened and our Nation's defense placed in real peril.

I am deeply disappointed by the Navy's most recent report on moving these squadrons from Maryland and Hawaii to Oklahoma. It is filled with unproven strategic and fiscal assumptions, and essentially asks the Appropriations Committee to make a decision without all the information that's needed to make such a sensitive choice.

For these reasons, I will continue to strongly oppose any plan to move the TACAMO squadrons from Patuxent River Naval Air Station in St. Mary's County, Maryland. To do so would be bad for our national security, an expensive step which the taxpayer would be forced to pay, and bad news for the southern Maryland economy.

I think the time has come for the Appropriations Committee to seek the independent counsel and advice of those who can assess the Navy's plan impartially and with an open mind. That's why I am today calling on the Committee to ask either the General Accounting Office, or the Department of Defense's Inspector General, to look at the Navy's report and to give us their own judgment on the matter.

The TACAMO squadron basing decision should not be made on the basis of politics, but on the basis of the best policy—both for our Nation's security and for the taxpayer. I hope after today's hearing we can finally start down that road and get some answers to questions we have been asking for a very long time.

STATEMENT OF SENATOR DON NICKLES

MR. CHAIRMAN: LET ME EMPHASIZE TO THE COMMITTEE SEVERAL POINTS WHICH SUPPORT BASING THE NAVY TACAN/O AIRCRAFT AT TINKER AIR FORCE BASE WHICH MAKE GOOD SENSE, BOTH MILITARILY AND ECONOMICALLY.

LAST THURSDAY, THE NAVY MADE AVAILABLE ITS LATEST ANALYSIS OF THE TACAN/O BASING OPTIONS. ONE OF THE MOST IMPORTANT POINTS THE ANALYSIS MADE SEEMS RATHER OBVIOUS--A MID-COINUS BASE PROTECTS THE TACAN/O FLEET FROM A SURPRISE ATTACK. IT ALSO MAKES SENSE THAT MID-COINUS BASING ALLOWS FOR MAXIMUM FLEXIBILITY TO SHIFT AIRCRAFT QUICKLY WHEREVER THEY MAY BE NEEDED.

THE GENERAL ACCOUNTING OFFICE STUDIED TINKER BASING IN 1967, AND FOUND TINKER TO BE THE MOST ECONOMICAL BASING OPTION. IN SECRETARY GARRETT'S WRITTEN STATEMENT TODAY, HE MAKES THE POINT THAT, "USING GAO COST ANALYSIS GUIDELINES, TINKER BASING SAVES THE TAXPAYER ALMOST \$21 MILLION IN CONSTANT DOLLARS OVER THE LIFE OF THE TACAN/O FLEET COMPARED TO OTHER BASING OPTIONS."

THE NAVY'S REPORT PROJECTS THAT OVER THE THIRTY YEAR LIFE CYCLE, TINKER BASING WILL SAVE THEM BETWEEN \$20.9 MILLION AND \$99.5 MILLION OVER THE OTHER BASING OPTIONS STUDIED.

THE REPORT SAYS, "OVERALL, TINKER AFB IS THE MOST SUPPORTABLE, MOST SURVIVABLE AND LEAST COSTLY OPTION....TINKER IS THE LEAST COSTLY DUE TO COLLOCATION OF BOTH AIRCRAFT SQUADRONS AND THE ADDITIONAL BENEFIT OF AIR FORCE E-3A OPERATIONS AND MAINTENANCE AT TINKER. COLLOCATION REDUCES FUNDING REQUIREMENTS FOR TRAINING, SPARE PART REPLENISHMENT AND MAINTENANCE SUPPORT."

ADDITIONALLY, MANY "UNQUANTIFIABLE" FACTORS ADD TO THE COST-EFFICIENCY AND DESIRABILITY OF BASING AT TINKER. I WOULD LIKE TO MENTION SEVERAL OF THESE FACTORS, AS I BELIEVE MY COLLEAGUES WOULD AGREE WITH ME THAT THEIR VALUE TO THE SUCCESS OF THE E-6A MISSION IS IMMEASURABLE, ALTHOUGH SUCH VALUE CANNOT BE CALCULATED MONETARILY AS PART OF THE SAVINGS.

AS TINKER AIR FORCE BASE IS THE PERMANENT BASE AND THE ONLY DEPOT MAINTENANCE FACILITY FOR THE E-3A AWACS, AIR FORCE DEPOT LEVEL MAINTENANCE EXPERTISE WILL BE SUPERIOR AT TINKER FOR E-6A EMERGENCY REPAIRS AND RAPID REPAIR TURNAROUNDS, BECAUSE OF THE SIMILARITY OF THE AIRCRAFT. SPECIALIZED EQUIPMENT AND MAINTENANCE SKILLS ARE ON HAND AT TINKER TO ENSURE A DEPTH OF MAINTENANCE AND

TECHNICAL EXPERTISE, AS ARE SPECIAL TESTS AND DIAGNOSTIC SYSTEMS. BETWEEN THE TWO AIRCRAFT THERE ARE 225 COMPONENTS WITHIN 25 SYSTEMS THAT ARE COMMON. THIS COMMONALITY WILL ELIMINATE SEPARATE INVENTORIES OF SPARE AND EMERGENCY PARTS.

ANOTHER UNQUANTIFIABLE VALUE OF BASING AT TINKER, BEYOND EQUIPMENT AND SPARE PARTS IS THE SHARING OF FLIGHT EXPERIENCE, TRAINING METHODS AND OPERATIONAL METHODOLOGY BETWEEN THE E-6A AND ALIACS FLIGHT AND MAINTENANCE CREWS. THIS TYPE OF SHARING AND COOPERATION WILL, AS THE NAVY REPORT MENTIONS, "PERMIT BETTER MISSION EXECUTION AND AIRCREW QUALIFICATION PROCESS."

THE SUBCOMMITTEE AND FULL COMMITTEE SHOULD APPROVE THE FUNDING FOR THIS PROGRAM WHICH HAS BEEN REQUESTED BY THE PRESIDENT, INCLUDED IN THE PAST TWO HOUSE AND SENATE AUTHORIZATIONS AS WELL AS THE HOUSE APPROPRIATIONS. THIS IS THE LAST HURDLE TO OVERCOME, AND THE APPROVAL SHOULD NOT BE UNREASONABLY WITHHELD.

PREPARED STATEMENT BY SENATOR DAVID PRYOR

Mr. Chairman, I would like to thank you for allowing me to make a brief statement today regarding the basing of new E-6A TACAMO aircraft.

This basing controversy has been going on for some time. The Navy seems to have determined that, no matter what the facts, TACAMO aircraft should be based at Tinker Air Force Base rather than at the Little Rock Air Force Base in Arkansas.

It is worth noting that Little Rock was at the top of the original list of 20 bases that the Air Force considered appropriate for TACAMO basing. Furthermore, Tinker Air Force Base was not even named on the original list.

Nonetheless, the Navy decided to consider Tinker and prepared a cost study that supported the decision. As you may recall, Mr. Chairman, a number of us were concerned by this action, and asked the General Accounting Office to review the Navy decision. The GAO, in fact, discovered serious flaws in the economic assumptions supporting the Navy study that skewed the results in favor of Oklahoma basing.

Today we are faced with a second study by the Navy with assumptions and results that are oddly similar to those from the earlier study.

This morning I met in my office with the senior officials from the General Accounting Office. We discussed having GAO conduct an investigation into the Navy's latest findings. They agreed that it would be prudent to review the Navy study in some detail and promised look into assigning an audit team to the effort.

Mr. Chairman, in light of this assurance from the GAO, I

would ask that this Subcommittee withhold judgement on a funding decision on TACAMO basing pending the completion of the GAO's work. Furthermore, I would suggest that if the GAO finds a body of facts that supports basing at Little Rock Air Force Base, as it did last time, that the Subcommittee require such basing.

I believe that this is the only way to bring about a fair resolution to this controversy that will be in the interests of our national security and the efficient operation of the military.

PREPARED STATEMENT OF SENATOR DAVID L. BOREN

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE ON MILITARY CONSTRUCTION APPROPRIATIONS TO DISCUSS THE BASING DECISION OF THE NAVY E6-A SQUADRONS AT TINKER AIR FORCE BASE. I THANK THE CHAIRMAN FOR SCHEDULING THIS HEARING BECAUSE IT IS TIME FOR A FINAL DECISION TO PREVENT FURTHER DELAY. THE MILITARY CONSTRUCTION BUDGET REQUEST FOR TINKER, FOR THE SECOND YEAR IN A ROW, HAS BEEN AUTHORIZED IN BOTH THE HOUSE AND SENATE LEGISLATION. THE HOUSE MILITARY CONSTRUCTION APPROPRIATIONS PASSED THE FY 1989 REQUEST MORE THAN A WEEK AGO AND THIS COMMITTEE IS TO MARKUP IN THE VERY NEAR FUTURE.

IT IS A WISE DECISION BY THE NAVY TO BASE THE NEW E6-A SQUADRONS AT TINKER WITH ITS ON-SITE DEPOT LEVEL MAINTENANCE EXPERTISE. CONGRESS CONTINUALLY ADVOCATES COOPERATION BETWEEN MILITARY BRANCHES AND THIS COLLOCATION WITH THE AIR FORCE E-3A WILL SUBSTANTIALLY REDUCE THE FUNDING REQUIREMENT FOR TRAINING, SPARE PART REPLENISHMENT AND MAINTENANCE SUPPORT.

THE AIR FORCE LEADERSHIP, BOTH MILITARY AND CIVILIAN, AT TINKER HAVE INTENSELY COOPERATED OVER THE LAST 20 MONTHS WITH THE NAVY AND THE ARMY CORPS OF ENGINEERS TO DEVELOP THE MOST ACCURATE FACILITY AND MISSION SUPPORT REQUIREMENTS AND COSTS DATA POSSIBLE. THE SELF-CONTAINED TOP-SECURITY COMPOUND IS SPECIFICALLY DESIGNED FOR THE HIGH-PRIORITY CLASSIFIED E6-A MISSION OPERATIONS WHICH ADD ANOTHER SIGNIFICANT DIMENSION TO THE DEFENSE OF THIS NATION.

THE COOPERATIVE EFFORT BY THE AIR FORCE AND THE NAVY HAS PROVIDED AN IN-DEPTH SURVEY OF THE MISSION AND BASE OPERATING SUPPORT REQUIREMENTS, SOME OF WHICH INCLUDE:

1. DEPOT MAINTENANCE SUPPORT REQUIRING THE IDENTIFICATION OF AREAS OF COMMONALITY BETWEEN THE AWACS E-3A AND E6-A; THE INTERFACE WITH EXISTING AEROSPACE GROUND EQUIPMENT AND PRECISION MEASURING EQUIPMENT LABORATORY CONTRACTS; ORGANIZATIONAL AND INTERMEDIATE LEVEL EMERGENCY SUPPORT FROM DEPOT MAINTENANCE SHOPS; AND CO-UTILIZATION OF ENGINE RUN-UP PADS.

2. DISTRIBUTION SUPPORT INCLUDING PETROLEUM, OIL AND LUBRICANTS, TABLE OF ALLOWANCES, BENCH STOCK LEVELS, MOBILITY EQUIPMENT AND WAR READINESS MATERIAL; AEROPORT OF EMBARKATION AND MUNITIONS REQUIREMENTS.

3. CONTRACTOR LOGISTICS SUPPORT INTERFACE WITH AND SUPPORT BY DEPOT MAINTENANCE AND DISTRIBUTION ORGANIZATIONS.

4. ACCOUNTING AND FINANCE AS WELL AS PERSONNEL SUPPORT

5. APPLICATION OF AIR FORCE MANNING STANDARDS BY THE TINKER MANAGEMENT ENGINEERING TEAM TO DETERMINE SUPPORT REQUIREMENTS FOR AREAS SUCH AS CIVIL ENGINEERING, HOSPITAL, PERSONNEL, COMPTROLLER, CONTRACTING AND MANUFACTURING, MORALE, WELFARE AND RECREATION; LAW ENFORCEMENT AND OTHER BASE OPERATING SUPPORT AREAS.

THE BASING OF THE TACAMO SQUADRONS AT TINKER OFFER NUMEROUS BENEFITS NOT AVAILABLE AT ANY OTHER LOCATIONS. THE COMMONALITY WITH PRESENT MAINTENANCE DEPOT ACTIVITY AND SUPPLY POINT WILL PERMIT JOINT UTILIZATION OF RESOURCES FROM DAY ONE. THE E6-A AIRFRAME IS 80 PERCENT COMMON TO THE AIR FORCE 135 AND E-3A. THE E6-A ENGINE IS COMMON TO THE AIR FORCE F-108 ENGINE. THE REDUCTION OF "PIPELINE" ITEMS, THE

COMMON MATERIAL AVAILABLE FOR EMERGENCY USE, THE PETROLEUM, OILS AND LUBRICANTS ARE COMMON.

TINKER AIR FORCE BASE IS THE ONLY INLAND AERIAL PORT OF EMBARKATION. THE EXISTING MANAGEMENT AND SUPPORT STRUCTURE IS IN PLACE FOR THE SECURITY AND ENTRY CONTROL FOR HIGH PRIORITY AIRCRAFT INCLUDING THE C-5A, B-1B AND THE AWACS. TINKER ALREADY HAS THE CAPABILITY FOR CRASH AND RESCUE OF LARGE AIRCRAFT.

I WOULD LIKE TO MAKE A FEW COMMENTS CONCERNING THE LATEST NAVY REPORT, DATED MAY 19, WHICH AGAIN DEMONSTRATES THAT TINKER IS AT LEAST \$21 MILLION LESS COSTLY OVER THE THIRTY YEAR CYCLE. IN READING THE REPORT, I NOTE THAT THE VERY THOROUGH PROGRAM DEVELOPED AT TINKER INCLUDES NEARLY \$13 MILLION IN SUPPORT FACILITIES INCLUDING MEDICAL CARE, ENLISTED QUARTERS, DINING HALL, AND DAY CARE. YET, I COULD FIND NO SIMILAR FUNDING PROGRAMMED FOR EXPANSION OF THESE FUNCTIONS AT THE OTHER LOCATIONS.

SINCE THE COSTS ARE COMPUTED OVER A THIRTY-YEAR CYCLE OF THE E6-A PROGRAM AND MY UNDERSTANDING IS THAT THE EXCESS FACILITIES AT LITTLE ROCK MAY BE OF WORLD WAR II VINTAGE, I ALSO QUESTION THE RENOVATION AND UPKEEP FIGURE OF \$2 MILLION THAT THE NAVY HAS INCLUDED. I ALSO BRING TO THE ATTENTION OF THE COMMITTEE THE PROBLEMS IN THE SECURITY ISSUES INVOLVED BY THE BASING AT LITTLE ROCK WHICH INVOLVES BUILDINGS SCATTERED ALL OVER THE BASE.

TO UNDERScore THE NAVY REPORT CONCERNING HOUSING FOR THE ADDITIONAL PERSONNEL, OKLAHOMA HAS AN ABUNDANCE OF AVAILABLE HOUSING, BOTH FOR SALE AND FOR RENT. THIS WEEK, THE MULTIPLE LISTING HAS 11,000 HOMES FOR SALE IN THE OKLAHOMA CITY AREA. THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, NOT LISTED ON THE MULTIPLE LISTING, HAS APPROXIMATELY 1200 REPOSSESSED

UNITS FOR SALE. THERE ARE ALSO NEARLY 16,000 UNITS FOR RENT IN THE IMMEDIATE AREA OF TINKER AFB.

FOR THE FOURTH QUARTER OF 1987, THE PRICE OF THE AVERAGE HOME IN OKLAHOMA CITY WAS \$74,360 WHILE THE MEAN PRICE IN 252 CITIES WAS \$92,498. THE AVERAGE APARTMENT RENT WAS \$563 PER MONTH VERSUS \$711 AVERAGE FOR THE SAME CITIES. THIS HOUSING CAPABILITY BRINGS INTO QUESTION EVEN THE \$3.3 MILLION FOR BACHELOR ENLISTED QUARTERS AT TINKER.

IN SUMMARY, I BELIEVE THE HEARING TODAY WILL BRING FORTH THE NECESSARY TESTIMONY TO DEMONSTRATE, ONCE AND FOR ALL, THAT TINKER AIR FORCE BASE WAS A LOGICAL SELECTION FOR THE INLAND BASING OF THE NAVY E6-A (TACAMO) SQUADRONS.

AGAIN, I THANK THE CHAIRMAN AND MEMBERS OF THIS COMMITTEE FOR THEIR COOPERATION AND ATTENTION TO THIS BASING DECISION WHICH HAS A VITAL IMPACT ON THE SUCCESS OF THE TACAMO MISSION.

SUBMITTED QUESTIONS

Senator SASSER. There will be submitted questions. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR SASSER

HOMEBASING NAVY'S E-6A TACAMO AIRCRAFT

Question: Well, I would ask you, Mr. Secretary, if you would, to provide a specific narrative which I think can be reconstructed and provided for this classified record which would outline the meetings and decisions and memos, intelligence, et cetera, in chronological order which led to the decision to go inland.

Answer: In mid-1985, it became clear to the Navy that the Congress would likely authorize and appropriate funds for procurement of as many as 15 E-6A aircraft. Because of the E-6A's long range, high speed and mission endurance, the Navy considered the possibility of mid-CONUS basing to improve the survivability of the TACAMO fleet. The Navy also focused on Air Force bases and support because for many years the Air Force had operated 707-type aircraft, similar to the E-6A. Initially, the Air Force was asked to examine basing options not requiring MILCON. However, Tinker AFB already supported E-3A AWACS and had in place maintenance and support facilities for 707-type aircraft. The Navy suggested Tinker as a possibility if life cycle cost comparisons among potential basing options showed it to be a cost effective solution. Thus, while Tinker AFB was not on the initial option lists, the Navy revisited the requirements and focused on the best operational and support base available. The chronology leading to Tinker AFB as the main base is as follows:

OCT 1985 - Assistant Secretary of the Navy (Shipbuilding and Logistics) (ASN(S&L)) directs the Commander, Naval Air Systems Command (COMNAVAIRSYSCOM) to conduct an investigation of mid-CONUS, single site basing concept for the two existing TACAMO squadrons (VQ-3 NAS Barbers Point, Hawaii; VQ-4 NAS Patuxent River, Maryland).

3 DEC 1985 - COMNAVAIRSYSCOM to Headquarters, U.S. Air Force (HQUSAF) (Requirements, Plans & Programs): look into Kelley AFB and Warner Robbins AFB.

13 JAN 1986 - The Secretary of the Navy (SECNAV) directs the Chief of Naval Operations (CNO) to survey CONUS USAF bases for feasibility as E-6A operating base. SECNAV briefed on value of Tinker AFB because of on-site E-3A operations (an aircraft similar to E-6A) and depot maintenance capability. Initial assumption: NO MILCON DOLLARS. COMNAVAIRSYSCOM initiated (internal Navy) Life Cycle Cost (LCC) analysis to compare mid-CONUS vs. split site basing.

16 JAN 1986 - Assistant Secretary of Defense (Command, Control Communications and Intelligence) (ASD(C³I)) to the Secretary of the Air Force (SECAF): "support TACAMO operations from a single mid-CONUS main operating base".

4 FEB 1986 - The Vice Chief of Naval Operations (VCNO) to Vice Chief of Staff Air Force: Build on Air Force capabilities.

MAR 1986 - CNO requested HQUSAF provide list of candidate bases with excess facilities available for E-6A beddown as Main Operating Base.

14 MAR 1986 - Navy/Air Force meeting held to identify candidate list of 20 prospective bases for E-6A TACAMO consideration.

4 APR 1986 - USAF submits a list of 20 central CONUS candidate bases for E-6A consideration. List constrained to bases with possible excess hangar and administrative space available. Tinker AFB not on list because of base loading.

25 APR 1986 - CNO letter (OP-941) directed NAVAIRSYSCOM to conduct mid-CONUS base site surveys to determine potential MILCON and support savings that could be realized by single site basing.

APR/MAY 1986 - Navy reduced Air Force list to seven candidates for survey visits. Discussions with Air Force regarding Tinker AFB availability continues.

16 MAY 1986 - CNO letter (OP-941) directs investigation of mid-CONUS bases.

21 MAY 1986 - Congressman English wrote SECNAV suggesting Tinker AFB as E-6A basing decision.

3 JUN 1986 - Senator Nickles wrote to SECNAV suggesting Tinker AFB as E-6A basing decision.

JUL 1986 - ASN(S&L) directed survey of Tinker AFB as a candidate base for E-6A basing. Survey retained same guidelines: no MILCON.

7 JUL 1986 - SECNAV direction after meeting this date with DEPSECDEF, ASD(C³I) and OSD(A&L): have joint OSD/USN/USAF team conduct site survey at Tinker AFB with intent to "make Tinker work". Principals concurred that existing on-site E-3A operations and depot maintenance support could reduce total costs for deploying E-6A aircraft even if some MILCON required.

15 JUL 1986 - HQUSAF message of 150002Z JUL86 established guidelines for Tinker AFB site surveys and support requirements.

18 JUL 1986 - ASD(C³I) Special Assistant memorandum to ASD(C³I): summarizes the joint OSD/Navy/Air Force team which conducted a site survey at Tinker AFB.

5 SEP 1986 - CNO directed NAVAIRSYSCOM to provide POA&M and LOC study for Tinker AFB.

SEP 1986 - First LOC mid-CONUS vs. coastal basing comparisons. Tinker AFB determined to be the least costly option.

1 OCT 1986 - SECNAV MEMORANDUM TO SECDEF REQUESTING CONCURRENCE TO STAND UP TACAMO AT TINKER AFB.

6 OCT 1986 - DEPSECDEF sent note to Congressman Edwards confirming the decision to base E-6A aircraft at Tinker AFB.

8 OCT 1986 - Senator Sasser (et. al.) requested a GAO audit of the Navy LOC study.

23 OCT 1986 - CNO message 231616Z OCT 86 announced SECNAV recommendation: Tinker AFB.

31 OCT 1986 - Navy briefed Senator Inouye on decision to not base E-6A in Hawaii.

17-21 NOV 1986 - Site survey (revisit) with Navy/Air Force. No excess facilities confirmed.

NOV 1986 - E-6A beddown conference at Tinker AFB.

12 JAN 1987 - SECNAV memo to SECAF requested space to base E-6A at Tinker AFB prior to construction of permanent facilities on Tinker.

28 JAN 1987 - Briefing for MGEN Autry, HQUSAF (FRP), concerning TACAMO basing support requirements.

20 FEB 1987 - Acting SECNAV wrote letter to Senator Inouye: concluded collocating E-6A with Air Force E-3A at Tinker AFB best overall choice.

FEB 1987 - Senator Sasser letter to ADM Jones (Commander, Naval Facilities Command (COMNAVFAC)) directing hold on design funds.

3 APR 1987 - GAO audit report delivered.

15 APR 1987 - ASN(S&L) memorandum to SECNAV answering questions concerning plan to base E-6A aircraft at Tinker AFB (classified).

29 APR 1987 - ASD(C³I) memorandum to SECNAV requesting Navy to analyze E-6A basing options to determine the lowest cost approach.

8 May 1987 - ASD(C³I) memorandum to SECNAV supporting mid-CONUS. "My office recommended a single, mid-CONUS location as the Main Operating Base for the E-6A."

7 JUL 1987 - Formal LOC study sent from SECNAV to SECDEF.

30 JUL 1987 - Formal LOC study sent from SECDEF to Congress.

17 NOV 1987 - National Defense Authorization Act for FY 1988-1989 Conference Report: "Naval Air Detachment, Tinker Air Force Base, Oklahoma, \$11,800,000."

22 DEC 1987 - Conference report for FY 1988 Appropriations: On 21 December 1987, conferees "agree to funding of the requested \$11,800,000 for this project". However, requires SECNAV to provide new basing cost analysis including split basing option of Patuxent River/Tinker AFB.

15 MAR 1988 - Acting SECNAV sends letter and second LOC to Congress.

22 MAR 1988 - Senator Sasser's letter emphasizing FY 1988 \$11.8 MILCON on hold until new basing cost analysis delivered to Congress.

19 MAY 1988 - New cost analysis delivered to Congress.

'25 MAY '1988 - UNSECNAV and UNSECAF testified before MILCON subcommittee of SAC.

QUESTIONS SUBMITTED BY SENATOR STEVENS

Question: "Well, I would like to expand the Chairman's request concerning the history of the basing, main operating base decision, to include a request, if I may, Mr. Chairman, for coverage of this uplink problem. My memory and Mr. O'Keefe's memory of that hearing that we helped conduct was that the TACAMO aircraft could barely receive the Air Force signal and that was not sufficient at the time to justify the acquisition of the E-6A, an this Committee opposed that at the time.

But I was never told why you changed and went ahead with the E-6As, and I think that is equally important to this consideration, as to whether that glitch has been totally eliminated.

Answer: Language within the 1983 DOD Authorization Act directed the Navy to report on the feasibility of procuring more modern communications equipment consistent with the planned purchase of the E-6A aircraft in order to take full advantage of the new airframe's capabilities and provide a continuing capability into the 21st century. The Congress subsequently approved the Navy's approach which is to upgrade the communications system through a pre-planned product improvement (P³I) program. The approved enhancements include a new high power transmit system (HPTS), MILSTAR capabilities, a new compact very low frequency (CVLF) receive system, global positioning system (GPS), and other message processing enhancements to efficiently tie the upgrades into one architecture. All of these systems are currently under development and are expected to be fielded by the mid-1990's. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR INOUE

HOMEBASING NAVY'S E-6A TACAMO AIRCRAFT

Question: I have been advised that it is the usual procedure, where the CNO is called upon to make recommendations for operational deployments and relocating operational functions. But in this case, my advice is that the CNO was not even consulted, and he was not aware of this decision.

I have been further advised that when this initial decision was made by the Secretary of the Navy, the Secretary of the Air Force was not aware of it. Is that correct?

Answer: The CNO was fully aware and supported the move out of Hawaii. The CNO/VCNO were briefed on the Navy's exploration of mid-CONUS feasibility and Tinker AFB. In September 1986, it was the CNO who directed NAVAIRSYSCOM to provide a plan of action and milestone chart and life cycle cost study for Tinker AFB. Subsequently, SECNAV sent SECDEF a memorandum requesting concurrence to stand up TACAMO at Tinker AFB. SECAF and his staff were involved in the Tinker AFB basing decision. As early as January 1986 ASD(C³I) sent a memorandum to SECAF telling of support for TACAMO operations from a single mid-CONUS main operating base perspective. On July 15, 1986, HQUSAF sent a message which established guidelines for Tinker AFB site surveys and support requirements.

Question: As a general rule, I would be reluctant to question the decision made by DOD on the justification for moving TACAMO to Tinker. And yet I do recall that the initial decision to relocate TACAMO came from the Secretary of the Navy's office rather than from the Office of the Chief of Naval Operations, and I have been led to believe that as a rule the CNO has the direct responsibility for making recommendations for operational deployments and relocating operational functions. Why wasn't the CNO's recommendation sought before making this decision?

Answer: The CNO was fully aware and supported the move out of Hawaii. The CNO/VCNO were briefed on the Navy's exploration of mid-CONUS feasibility and Tinker AFB, in particular. In September 1986, it was the CNO who directed NAVAIRSYSCOM to provide a plan of action and milestone chart and life cycle cost study for Tinker AFB. Subsequently, SECNAV sent SECDEF a memorandum requesting concurrence to stand up TACAMO at Tinker AFB.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

HOMEPORTING NAVY'S E-6A TACAMO AIRCRAFT

Question: Let me interrupt you just a moment. If that is true, why did you put \$18 million in there for base housing in your first report at Tinker? And in this report you have zip, nothing?

Answer: Our initial discussions with the Air Force on Tinker stand up suggested base housing would likely not be available because of high Air Force demand and usage. Thus, a preliminary estimate (\$18M) was made to determine the cost of additional housing to accommodate Navy personnel on-base. However, standard procedure at Navy bases is that a combination of on-base and off-base housing is used to accommodate personnel housing needs. An in-depth examination of housing available on-the-economy in the Oklahoma City area found ample affordable housing that Navy personnel could take advantage of. Since the majority of Navy personnel use off-base housing at Barbers Point and Patuxent River, we concluded the most reasonable approach would be to estimate additional funds required for bachelor enlisted housing only (\$3M), but exclude new family housing at Tinker as non-

essential. This approach was used in estimating housing construction costs across all the basing options. At Little Rock, although some housing is available, personnel could choose between on-base and off-base housing if that basing option was chosen since ample off-base housing also is available at Little Rock.

Question: Finally, let me ask you this. Incidentally, you are going to be moving, going to be increasing the personnel at Tinker By 20 per cent, and you have nothing in here for housing.

That is right. There are 7,700 people at Tinker right now, and you are going to be bringing another 1,600 in there, that is a 20 per cent increase. Now, let me just ask you one other question.

How many people are you going to bring from Hawaii and Maryland out of the people that are present in your existing TACAMO squadrons, how many of those are you going to bring to Tinker? Anybody?

Answer: Current active duty military end strength for both squadrons is 1,400 people, about 700 in each squadron. These personnel would be assigned to Tinker AFB. This figure is consistent with the OASD Office of Economic Adjustment study done in early 1987. Since NAS Patuxent River is the East coast alert site for TACAMO, a military contingent of about 40 people will remain at this location to support TACAMO operations.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

STRATEGIC QUESTIONS: ATTACK ASSUMPTIONS

QUESTION: You assume that a mid-U.S. location for TACAMO command would more easily survive an attack from missiles from Soviet subs. Is an attack from Soviet subs the most likely kind of threat to these bases?

ANSWER: It may not be the most likely; however, it is the hardest to defend against. Soviet subs are the closest weapons platform and, therefore, could allow the Soviets to achieve maximum effectiveness against any U.S. forces not continuously postured on alert.

QUESTION: Wouldn't it be more likely for the Soviets, if they really wanted to go after a TACAMO command, to launch a multi-faceted attack on the base where it's located? For example, stage a terrorist attack on the base, plus an attack with some kind of missiles. If that's the case, wouldn't it be just as easy for a terrorist to go after a base in Oklahoma as it would be in Maryland or Hawaii?

ANSWER: It is possible that the Soviets could launch a multi-faceted attack utilizing terrorists (unconventional warfare, airstrikes or ICBMs) against TACAMO. Each of these types of

attacks require different protective measures. These measures apply to both coastal and inland basing, but with different emphasis depending on location. We plan for all of these contingencies. Generally, however, the more in-land a base, the more difficult it would be for the Soviets to successfully launch a multi-faceted attack because of defenses in depth between the coast and Oklahoma.

QUESTION: If a coastal location like Pax River is so vulnerable, and it's only 62 miles from Washington, D.C., I guess what we ought to do to guarantee the survivability of the President and the Congress is to move the U.S. Capitol to Oklahoma. Doesn't your theory lead to that conclusion?

ANSWER: The means are in place now to ensure the safety of the President and the Congress during periods of National Emergency without moving to Oklahoma. The question the Navy faced with E-6A TACAMO is: Could we find a main operating base which - by its very location - provides an additional margin of survivability against Soviet attack? That base is Tinker because it's mid-CONUS location makes it more difficult to attack than coastal bases while at the same time providing required maintenance and support services to help ensure successful TACAMO operations at least cost.

QUESTION: If you were the Soviets and you were flying a squad of attack planes, and were only 62 miles from the President's home, would you stop in St. Mary's County or would you go the distance and attack the Capitol?

ANSWER: We have no way of hypothesizing what the Soviet attack planes would do, but the President and the Congress are protected against such a possibility.

STRATEGIC QUESTIONS: SOVIET SUBMARINE ATTACKS

QUESTION: We know the Air Force has special installations in Hawaii. I assume they are under the same kind of risk from Soviet subs or attack planes which you say the TACAMO command faces. If this risk is so great, why aren't they moving their installations to Oklahoma? Why can't we harden our TACAMO command in the same way the Air Force has hardened many of their sites to reduce this threat from Soviet subs?

ANSWER: The Air Force missions located in Hawaii, for example, the Airborne Command Post, must be in that location to adequately support its mission tasking, which includes the emergency relocation of the Commander in Chief, Pacific. Since TACAMO has no similar mission which ties it to Hawaii, the prudent choice is to position it where the threat is lessened, as opposed to hardening its facilities at considerable expense. It should also be noted that the Airborne Command Post positions an alert aircraft away from Hawaii at March AFB, California to partially offset the disadvantage of Hawaii basing and to provide communications connectivity to the TACAMO aircraft.

SHIFT NAVY POSITION ON TACAMO BASING

QUESTION: Much has been made of the fact that the Defense Appropriations Committee held a hearing on the need for the E-6A aircraft on May 14, 1985. One of the questions which the Committee asked the Department for the record, was on the basing of the E-6's for the TACAMO command [p. 861 of pt. 3 of DOD Approps Hearings for FY 86]. The question: "Will the E-6's be based in the same locations [meaning Maryland and Hawaii] or at different bases?" The Department's answer: They would have the same Main operating Bases, though they may be dispersed on alert status in a different fashion.

Now that was the answer of Donald Latham, who at the time was the Assistant Secretary of Defense for Command, Control, Communications and Intelligence in May 1985. What new, specific and concrete Soviet threat has developed since then that changed your mind? And why haven't you told us in your report about this new threat?

ANSWER: In May 1985, the Navy was just beginning its trade off analysis which considered basing location options, range and capability of the E-6A vs. EC-130 and the threat. Because the E-6A can fly a 6,000 mile mission, the possibility existed for pulling back TACAMO main base operations from vulnerable Pacific and coastal bases to mid-CONUS. Former Secretary Latham was not aware of these studies which were in the embryonic stage in May 1985. The Soviet submarine (SLBM) and jamming threats of today were present in 1985.

In October 1985, then Navy Secretary Lehman directed that central basing be investigated to take advantage of the new E-6A range and capability and to further examine economies and efficiencies associated with alternative basing options. Finally in January 1986, Former Secretary Latham told the SECDEF that he "supports TACAMO operations from a single, mid-CONUS, main operating base".

PHYSICAL PLANS FOR TACAMO AIRCRAFT

QUESTION: Are all of the Navy's aircraft assets associated with TACAMO going to be physically located at Tinker AFB under your plan? Well, where will they be and how will you distribute them between Tinker and your two "alert" bases at Pax River and Travis AFB?

ANSWER: Sixteen E-6A TACAMO aircraft will be positioned as follows:

- 2 aircraft on Ready Alert at Alert Bases.
- 2 aircraft on Standby Alert at Alert Bases.
- 2 aircraft flying On-station (1 Pacific; 1 Atlantic)
- 3 aircraft randomly deployed (East Coast)
- 4 aircraft randomly deployed (West Coast)
- 2 aircraft undergoing scheduled maintenance, returning from deployment or working up for deployment at the main operating base.
- 1 aircraft undergoing modifications/Test and Evaluation.

QUESTION: Will the only aircraft at Tinker be those requiring depot [major] maintenance? So what you really plan to do is to only have the TACAMO command at Tinker and disperse most of the planes to the east coast and west coast alert bases? If that's so, then the TACAMO planes under your plan are still vulnerable to a Soviet Sub attack because they're on the coast? Well, why can't you disperse the planes from Pax River under the current basing arrangement once we learn of a potential attack?

ANSWER: As stated in the previous answer, at least two E-6A aircraft will be on the ground at Tinker AFB at any given time. These aircraft will be returning from or "working up" for deployment. Standard depot level maintenance will be a prime function performed at the main operating base, but operational and intermediate "turn-around" maintenance will be performed as well.

Our basing concept, as inferred in the question, utilizes the whole network of bases available to E-6A operations. Thus, aircraft are on coastal deployments, random deployments, on station and on alert and can be readily dispersed in the event of quickly changing real world events leading to an attack or indications of an impending attack. A mid-CONUS main operating base (when compared to a coastal main operating base) offers the significant advantage of greater protection for the non-deployed E-6A aircraft, the associated spare parts, the maintenance and training support pipeline and provides a survivable base for landing of aircraft coming off alert/deployment. A mid-CONUS base provides for better command and control management and mission readiness in the post-attack scenario.

Yes, E-6A aircraft could be dispersed from NAS Patuxent River; however, as discussed above, the aircraft and support system will be more vulnerable.

COST: TACAMO PLANNING ASSUMPTIONS

QUESTION: I am very confused by the Navy cost estimates when it compared the various plans. It seems there are a whole series of planning assumptions on which these numbers are based that I don't think we should agree to.

ANSWER: Planning assumptions used in the cost analysis reflect the Navy's long experience in operating EC-130 TACAMO aircraft and best estimates of how E-6A will operate as a TACAMO aircraft. The cost categories used to compare option cost estimates come from DOD guidelines for conducting life cycle cost analyses.

QUESTION: Many of your savings in moving the TACAMO squadrons are based upon the sharing of facilities, common materials and personnel with the Air Force. Do you have a memorandum of understanding or inter-service support agreement with the Air Force on TACAMO basing? Then how can you make cost savings assumptions, which are very technical in nature, when you really haven't worked out the fine print between yourselves and the Air Force? I think that the only way we can really get to the bottom of your figures is to have an independent auditor come in and evaluate them? So

who would you prefer to do the audit, the General Accounting Office or the Department of Defense Inspector General?

ANSWER: The Navy and Air Force will negotiate a final Inter-Service Support Agreement (ISSA) prior to E-6A beddown. These negotiations are underway now. The Navy has full Air Force support for the program. Eighteen months of direct communications, meetings and planning have created a solid foundation from which the support agreement will be executed. All anticipated problems of coordination, control and prioritization have been discussed and solutions agreed upon or are in-work. Cost savings assumptions are the result of conferences and working group meetings with base and Air Force Logistics Command personnel from supply, maintenance, security, morale, welfare and recreation offices. An audit by either the GAO or DODIG is welcome.

QUESTION: How many of the Life Cycle Costs which you attribute to the various basing options would have to be done anyway, regardless of whether or not the TACAMO squadron is placed there? For example, suppose Pax River is already planning to build a new hangar. We want to know how many of these costs you attribute to each basing option are unique because we are talking about stationing E-6A aircraft.

ANSWER: All costs included in the TACAMO basing study are unique to the E-6A basing decision.

QUESTION: The GAO, in its report to the Committee on this issue last year, said basing at Tinker, because it was a mid-U.S. site, might require the Navy to buy an additional E-6A plane at a cost of \$60 million. Why is there no mention of this point in any of your cost analysis and once factored in, how does that change the cost estimate in comparing basing options?

ANSWER: Sixteen E-6A aircraft are required, regardless of the basing option chosen, to ensure fifteen operational aircraft are available to conduct the TACAMO mission. The sixteenth aircraft will fulfill pipeline requirements such as depot overhaul, mission equipment update, and R&D modifications.

The number of aircraft required for TACAMO operations was determined as follows:

Since 1982, DOD has accomplished numerous strategic communications connectivity studies with regard to SSEN connectivity. There have been two consistent conclusions from all of these studies:

- Improved performance from the TACAMO communications system is necessary to meet operational requirements in a stressed environment, and,

- Even with improved communications systems performance factored in, the current EC-130s cannot operate efficiently in the operating areas that are being driven by TRIDENT targeting requirements. A replacement aircraft, the E-6A, was required.

To alleviate both of these problems, DoD developed plans for

procurement of the E-6A aircraft along with the pre-planned Product Improvement (P3I) program for improving communications systems performance. Force size studies for the E-6A aircraft concluded that 15 operational aircraft were required to achieve all mission tasking. These studies did not consider requirements for R&D, pipeline or attrition aircraft.

As the P3I program became more defined, it became clear that during the early years of E-6A operations, operating force levels would drop to 14 aircraft for extended periods of time because:

- An E-6A aircraft would be required for development and operational testing of the communications systems improvements prior to fleet introduction, and,

- The installation schedule for these improvements would require an E-6A aircraft to be removed from operational service continuously during the period of fleet introduction.

Additionally, prudent planning would conclude that during the 30 year life cycle of the E-6A aircraft, extended periods of out of service time will result from mishaps and/or wear and tear on the aircraft system as it ages.

Considering the above factors, DoD added an additional (16th) aircraft to the planned procurement. As noted in the DoD response to the GAO report on mid-CONUS basing, the 16th aircraft is required regardless of the main operating base chosen. Mid-CONUS basing adds at most three hours of flight time per month per aircraft. This additional flight time does not drive procurement of additional aircraft; R&D, pipeline and attrition requirements do.

QUESTION: Your current plan is to have 15 E-6A planes under a Tinker, Oklahoma basing plan. Each of these planes will cost roughly \$60 million. How would the life cycle costs change if we kept the planes at Pax River and Barber's Point and instead of buying 15 new E-6A's, we only bought eight E-6A's for Hawaii and kept eight of the existing C-130's for Maryland? Wouldn't this substantially reduce procurement costs for the Navy and, in turn, eliminate any real financial incentive to move the TACAMO command to Tinker?

ANSWER: The E-6A production decision was made by the Congress with the last seven aircraft to be procured in FY-89; main basing location remains the issue. Splitting the TACAMO fleet with a combination of existing EC-130 aircraft in the Atlantic and E-6 aircraft in the Pacific would not solve our survivability/vulnerability problems, nor would it solve the logistics pipeline support needed for both type aircraft. Most importantly, combining EC-130 aircraft with E-6A aircraft would not fulfill the Nation's mission requirements for Trident connectivity. Further, not-to-exceed prices of E-6A aircraft are based upon a buy of sixteen aircraft. Reductions would result in significantly higher aircraft procurement costs currently being negotiated for FY 1988.

COST: EXTRA EXPENSES AT PAX RIVER - EQUIPMENT

QUESTION: On page 21 of the report, you tell us that keeping the basing in Maryland and Hawaii will require an additional \$29.8 million for four fire trucks, four fuel trucks and related "support" costs. That averages out to \$3.7 million a truck.

a. Where did you come up with these numbers and what were the specific assumptions you used to get there?

b. How much of this \$29.8 million is for "support" and what specifically does this kind of support involve [how many new people, how much in new facilities, how much in repair and maintenance of these vehicles]?

c. Are either Pax River or Barber's Point scheduled to get any of these vehicles already under either facility's five-year improvement plan?

ANSWER: Fire and fuel trucks now in use to support EC-130 aircraft are not adequate to support E-6A operations for the Barbers Point/Pax River option. Therefore, fire and fuel trucks must be purchased for Barbers Point if it becomes a main operating base. However, the purchase of fire and fuel trucks at NAS Patuxent River were not included in the basing study because these trucks will have been purchased to support Pax River alert site requirements.

The costs included in the basing study are based upon acquisition costs for 12 fire trucks and 12 fuel trucks (four each at ten year intervals); costs for personnel are based upon 1985 wage rates; maintenance costs are based on standard estimating procedures. A summary of the costs are provided as follows:

Fire Trucks (Constant 1985 \$)	
- Total of 12 trucks over 30 years	\$6.0M
- Spare parts @ 20% of Acq. Cost	\$1.2M
- 8 Firemen/maintenance @ 378K/year)	<u>\$11.3M</u>
Fuel Trucks (Constant 1985 \$)	
- Total of 12 trucks over 30 years	\$2.7M
- Spare parts @ 20% of Acq. Cost	\$.5M
- 8 Drivers/maintenance @ 270K/year)	<u>\$8.1M</u>
TOTAL COST	\$29.8M

COST: EXTRA EXPENSES AT PAX RIVER - TRAINING

QUESTION: On pages 29-31 of your report, you suggest that a Pax River basing operation costs \$32 million in training, which represents the per diem travel costs of going from Pax River to where ever the training for the E-6A is to be done. But again, you give us no rationale upon which to base all the technical calculations you make. So what was your rationale for this cost number?

ANSWER: Training will be done at Tinker AFB under the single site (Tinker) or split site (Tinker AFB/NAS Patuxent River)

options. Under the Barbers Point/NAS Patuxent River option, training will be at NAS Barbers Point. Therefore, unless both squadrons are at Tinker AFB, VQ-4 (NAS Patuxent River) personnel must go TAD to NAS Barbers Point or to Tinker AFB for training, depending upon the option chosen. The duration and associated costs over 30 years are detailed in the TACAMO study and are based upon the Standard Navy Training Plan for TACAMO.

QUESTION: You say that training for the E-6A will be done some place other than Pax River. I'm informed by Committee staff that your plan does in fact assume some technical training will take place at Pax River. Those two conclusions are diametrically opposed. What are the training requirements that will be needed, at which facility will they be done and why didn't you lay all this out in the report so we could have avoided all of this aggravation?

ANSWER: Training conducted at NAS Patuxent River involves the EC-130 mission and flight deck avionics. Mission avionics training will continue at NAS Patuxent River until moved to the permanent facility at Tinker AFB or NAS Barbers Point depending on the option chosen. Flight deck avionics training supports only the EC-130 and will phase out as the E-6A phases in.

QUESTIONS SUBMITTED BY SENATOR NICKLES

HOMEBASING NAVY'S E-6A TACAMO AIRCRAFT

QUESTION: I note in your statement, Secretary Garrett, that you mention the Navy's updated study. You say the cost estimates have changed some, but that the conclusion remains the same, "Tinker AFB remains the most cost effective basing option" and that, "Tinker basing saves the taxpayer almost \$21 million in constant dollars over the life of the TACAMO fleet compared to other basing options." Were GAO guidelines used in obtaining the figures in this updated study on basing costs?

ANSWER: Yes. The GAO recommended the cost analysis be done in a way that allows option costs to be compared in the same base year dollars. Thus, the updated study was prepared in Constant 1985 dollars in order to be comparable to the report submitted in July 1987. GAO also pointed out that the Navy should take into account the time value of money in the cost analysis. Using OMB Circular A-94 as guidance and discounting the costs at 10 per cent, Tinker life cycle costs would be about \$7M less than Little Rock costs. Using five per cent and three per cent discount factors would yield savings of about \$10M and \$13M, respectively. Three per cent is most realistic in today's economic environment.

QUESTION: On page four of the Navy's report, it says that "availability of on-site Air Force common spares will permit reductions of approximately \$9.5 million in the range and depth of required Navy stock." Would you explain how

such savings will be realized? Will it be a savings for the Department of Defense?

ANSWER: Because Tinker will perform depot level maintenance for the E-6A, certain critical depot level spares will already be available under the Tinker basing option. Duplicate investment in these critical spares, such as two spare engines at \$6.5M, is required for other basing options.

QUESTION: The Department of the Navy has told us on one previous occasion (June 12, 1987) that Navy facilities will not be ready for use until 1991-1992. In the Air Force's letter to Chairman Sasser in support of Tinker basing of the TACAMO squadrons, Under Secretary McGovern states, "In the meantime, we are assisting the Navy in achieving a temporary beddown plan and interim operations at other locations." Could you explain how this temporary beddown is being achieved. Will the delay in milcon funding cost either service unplanned expenses?

ANSWER: The Navy and Air Force plan is to transition operations from EC-130 aircraft to E-6A aircraft concurrent with the construction of Tinker facilities. Under this scenario, Tinker facilities would be ready at the same time the aircraft transition is complete. Further, the Air Force is supporting the Navy alert base operations at Travis AFB, California. While the Navy and Air Force plan will allow for an orderly move of TACAMO squadrons, a delay in FY 1988 MILCON funding will put the Tinker stand up plan in jeopardy and create additional costs for the following items:

- Leased fire trucks plus eight billets at Barbers Point.
- Eight billets at Barbers Point for added refueling requirements.
- Extra contractor personnel for Contractor Logistics Support (CLS) at Barbers Point and Patuxent River.
- Temporary additional duty for flight crews and maintenance personnel.
- Delay in consolidation of replenishment spares, support equipment and spares, and additional Aviation Intermediate Maintenance (AIMD) support at two sites vice one site.

Currently, the Oklahoma Chamber of Commerce has options on 54 acres of land; 80 acres are planned for purchase. If Navy does not finalize the land acquisition soon, the options to buy will be in jeopardy, adding expense and time to this critical land purchase.

QUESTION: On page five of the 1987 GAO report, it says that the Navy "has concluded that improvements to the officers club and the gymnasium facility at Tinker estimated to cost \$3.4 million are not essential." Is this still the case?

ANSWER: Yes. Based upon discussions with the Air Force, the improvements to the Officers' Club are not essential.

QUESTION: In the Navy's report, an additional \$12.9 million is listed as being essential at Tinker AFB to enhance support facilities such as Day Care, BEQ and the Community Facility. Do both the Navy and the Air Force feel these are essential projects? Why, with housing in the Oklahoma City area so plentiful and inexpensive, would the Navy list \$3.3 million (as part of the \$12.9 million) for Bachelor Enlisted Quarters (BEQ)?

ANSWER: The Navy and the Air Force believe funds for modernization and expansion of base support facilities are necessary to allow for the increase in personnel that will result from a Tinker AFB basing decision. Because the BEQ at Tinker AFB is at maximum occupancy, a new BEQ will be required to house Navy junior enlisted personnel. Although off-base housing can and will be used, the least disruptive option for junior enlisted personnel is to use on-base quarters.

QUESTION: One could say a basic difference between Tinker and the other basing options is the fact that major overhaul of the aircraft would be done at Tinker regardless of the basing option. Please describe the maintenance needs, the costs of transporting aircraft to Tinker and how this will impact the basing options.

ANSWER: A key advantage of a the Tinker basing option is that maintenance will be done at the squadron's home base. The most significant maintenance actions involve Standard Depot Level Maintenance (SDLM) on the airframe, engines, and major components. All SDLM actions will occur at Tinker AFB regardless of the basing option chosen. For any option other than Tinker basing, the E-6A must be flown to Tinker to do airframe SDLM's; Engines and other components must be shipped. Transportation charges for all SDLM's over thirty years (more specifically described in the TACAMO study) are as follows:

Little Rock	- \$2,685,600 (Constant 1985\$)
	\$1,754,700 (Discounted @ 3%)
BAR/PAX	- \$6,683,300 (Constant 1985\$)
	\$4,366,800 (Discounted @ 3%)
TINK/PAX	- \$3,191,800 (Constant 1985\$)
	\$2,085,000 (Discounted @ 3%)

QUESTION: On page twenty of the Navy's assessment, the Navy apparently assumes that other support facilities will be available at Little Rock. Are there actually support facilities available at Little Rock to the Navy? If so, what types of facilities are available? When were these facilities built? Would it not be the case that the additional personnel will put a strain on such facilities, causing renovations or expansions to be necessary at some point in the future?

ANSWER: Facilities available at Little Rock AFB will support squadron administration, tactical communications,

training, and maintenance administration. The age of the buildings available to the Navy are as follows:

- Building 160: Alert Site
 - Built - 1960
 - Renovated - 1988
 - Construction - Concrete
- Building 320: Headquarters
 - Built - 1955
 - Renovated - 1988
 - Construction - Concrete
- Building 314: Command Post
 - Built - 1958 (shared facility)
 - Renovated - 1985
 - Construction - Concrete
- Building 430: Missile Maintenance Facility
 - Built - 1962
 - Mechanical Upgrade - 1983/1985
 - Construction - Concrete

A conservative estimate of \$2.0 million has been included to renovate these facilities prior to TACAMO arrival. Cost to upgrade the missile maintenance facility expansion to meet TACAMO training requirements has not been included. Also, the hangar, maintenance, and CLS facilities must be constructed two miles from the Communications Center and squadron administration spaces. This distance will increase the transportation and personnel requirements, reducing the Commanding and Executive Officer's ability to execute efficient operations and effective management.

Other base support facilities such as the Child Care Center, Gymnasium, BEQ, Officers' Club, Fire Station, Hospital, Dining Hall and Communication Facility, appear adequate at this time, given the current operating tempo. If the Air Force decides to base Rail Garrison at Little Rock, no facilities would be available.

QUESTION: On page twenty-six of the Navy's report, transportation/shipment costs for the 225 common E-3A and E-6A components are discussed. The figures range from \$0 transportation and support costs for Tinker AFB to over \$10 million. Besides the significant money savings, it seems to me that the "down-time" for the E-6As would be greatly reduced with basing at Tinker, thereby enhancing the mission capability of the squadron. Would you agree with this?

ANSWER: Yes. Operating TACAMO in close proximity to a common supply system and depot maintenance facility for a larger inventory of similar aircraft (Air Force E-3A) will shorten the repair cycle; thus, TACAMO mission accomplishment is enhanced. Current operations with the EC-130 has shown that locating aircraft away from the supporting logistics center can result in long maintenance delays. Higher spares stocking levels have been required to avoid significant occurrences of maintenance "down time".

QUESTION: On page twenty-seven of the Navy's analysis, a single base concept is said to "offer savings relative to dual basing because safety stock levels will be reduced by collocating two squadrons. Additional reductions in safety stock levels will be realized by centrally managing E-3A and E-6A common spares." This seems to be the type of "sharing" that many in the Congress have been urging the Armed Services to attempt. Would you agree that sharing in this case, not only is economical, but good for both missions?

ANSWER: Yes. Safety and pipeline stock levels can be significantly reduced if the two TACAMO squadrons are based at one site vice two. Additionally, if the one site is the same site that conducts depot level maintenance, on-hand stocks of many critical depot level repairable spares can be reduced. Once demand data is collected on Air Force E-3A and Navy E-6A common components, additional savings will be realized by centrally managing those common components. The net result of this "sharing" is lower costs for sustaining spares, better material availability, and enhanced mission capabilities.

QUESTION: Security seems to be the major concern for the E-6A basing. Would you please comment on this in regard to Tinker and the other sites mentioned today.

ANSWER: Security at each site is constructed according to security requirements and regulations for the E-6A aircraft. Tinker AFB is the most secure location. The proposed E-6A compound will be located adjacent to the present E-3A area, complete with a central sensor control. Air Force personnel at Tinker AFB are familiar with the security requirements, are well trained, well managed.

QUESTIONS SUBMITTED BY SENATOR BOREN

HOMEBASING NAVY'S E-6A TACAMO AIRCRAFT

Question: In your cost comparisons, what did you assume in terms of the costs of maintaining the existing facilities at Little Rock and whether or not any of those need to be replaced?

I wonder what the age of the various buildings is at the Little Rock facility, and their state of repair, and when they were last renovated and modernized?

Answer: There are some facilities available at Little Rock AFB that can be used in lieu of building new facilities. These facilities would support squadron administration, tactical communications training and maintenance administration. Little Rock AFB would require a new Contractor Logistics Support building, a new hangar and an expansion of the existing ramp area. Base support facilities such as the Child Care Center, Gymnasium, BEQ, Officers' Club, Fire Station, Hospital, Dining Hall and

Communication Facility, are adequate at this time. Thus, additional base support facilities are not included in Little Rock base option costs. However, if the Air Force decides to base Rail Garrison at Little Rock, no facilities would be available.

A conservative estimate of \$2.0 million was included to renovate usable facilities prior to TACAMO arrival. Cost to upgrade the missile maintenance facility to meet TACAMO training requirements was not included. Also, the hangar, maintenance, and CLS facilities would be constructed two miles from the Communications Center and squadron administration spaces. This distance would increase transportation and personnel requirements, reducing the Commanding and Executive Officer's ability to execute efficient operations and effective management.

The age/state of repair of the available buildings are:

- | | |
|---|--|
| - Building 160: Alert Site
Built - 1960
Renovated/Modernized - 1988 | - Building 314: Command Post
Built - 1958 (shared facility)
Renovated/Modernized - 1985 |
| - Building 320: Headquarters
Built - 1955
Renovated/Modernized - 1988 | - Building 430: Missile Maintenance Facility
Built - 1962
Mechanical Upgrade - 1983/1985 |

Question: Do you know in terms of bachelor enlisted quarters the age of those barracks at Little Rock, and whether they would meet the current DOD standards for BEQ space?

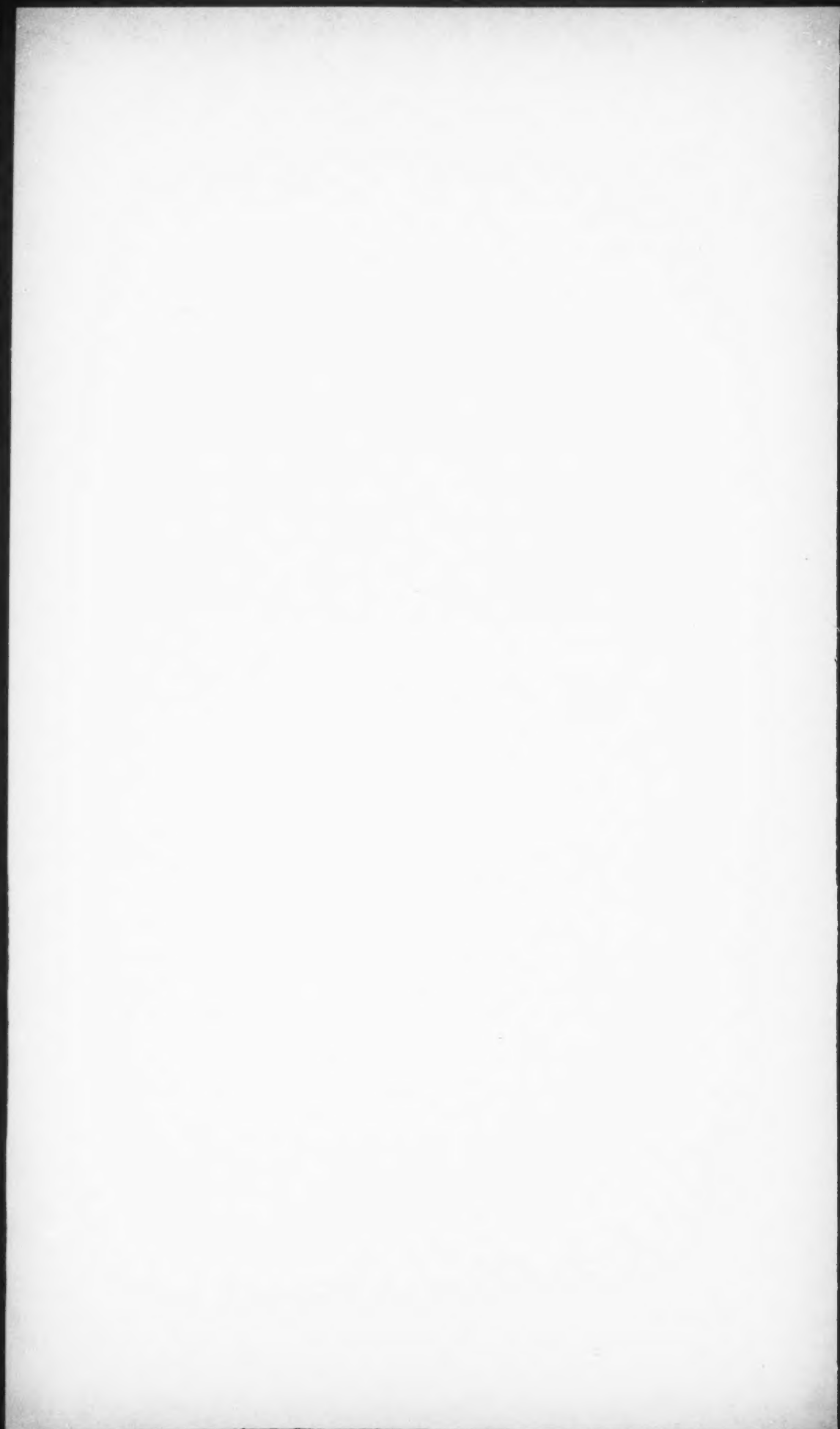
Could you perhaps supply for the record the age of those facilities and the other facilities and their current state of maintenance?

Answer: The response that Mr. McGovern gave is correct. These bachelor enlisted quarters do, in fact, meet DOD standards.

CONCLUSION OF HEARINGS

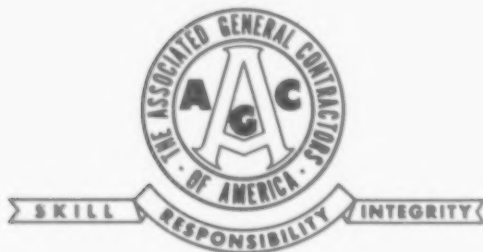
Senator SASSER. The subcommittee will stand recessed.

[Whereupon, at 5:03 p.m., Wednesday, May 25, the hearings were concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]



MATERIAL SUBMITTED SUBSEQUENT TO CONCLUSION OF HEARINGS

(CLERK'S NOTE: The following material was received subsequent to the conclusion of hearings, and will be inserted in the record at this point.)



Statement of

The Associated General Contractors of America

AGC is:

- More than 32,500 firms including 8,000 of America's leading general contracting firms responsible for the employment of 3,500,000-plus employees;
- 104 chapters nationwide;
- More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utilities facilities.

The Associated General Contractors of America represents more than 32,500 firms including 8,000 of America's leading construction companies. These general contractors employ more than 3,500,000 workers, and perform more than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utilities facilities.

AGC urges increased funding for military construction. AGC believes it is well-qualified to address the condition of military facilities and funding levels for military construction.

AGC was formed in 1918 by 27 representatives of the nation's leading construction firms after President Woodrow Wilson realized that mobilization during World War I was hampered by the lack of an association to represent the industry.

Since that time, AGC and the military have continuously worked together on behalf of the taxpaying public. Some examples:

- In 1938, AGC assisted a committee of officers in developing contract forms for the War Department.
- In 1940, AGC representatives were appointed members of the Construction Advisory Committee to the Army and Navy.
- At the request of the Army Corps of Engineers following outbreak of war with Japan, AGC recommended some 260 candidates for commission in positions directly responsible for important construction projects.
- In 1958, AGC formed a national Emergency Planning Committee to develop strategies for mobilizing construction personnel and equipment in the event of a national emergency or natural disasters.
- Today, AGC has committees working with the Department of Defense, Army Corps of Engineers and Naval Facilities Engineering Command for the purpose of improving the military construction procurement process by making it more efficient.

AGC is most concerned over the deteriorated state of our nation's military infrastructure. AGC members have noted firsthand that many military installations are in need of repair. Some examples AGC members have recently noted are:

- runways filled to capacity at Clark Air Force Base in the Republic of the Philippines;
- unreliable and therefore unavailable steam on a pier in San Diego for warships at berth, and;
- inadequate hanger facilities in New England to accommodate Orion P3 aircraft.

Present estimates are that the value of this nation's investment in its military infrastructure is \$450 billion. Most of the facilities which comprise the military infrastructure were constructed as a result of World War II and Korean War needs. The average age of our military facilities is 30 years and consequently many of the components that comprise our military installations need repair.

Much has changed in the area of defense requirements since the majority of these facilities were constructed:

- the U.S. now has an all-volunteer force;
- the rate of advances in new weapons systems is increasing, and;
- most military personnel now have dependents.

Over the past few years, Congress has appropriated between \$5 billion and \$6 billion annually for military construction. Much of this is necessarily directed to construction of supporting facilities for new weapons systems. When this latter amount is subtracted from the amount appropriated each year for military construction, what remains for the replacement of existing military facilities is miniscule. Such a funding level results in a 170 year replacement cycle for military facilities.

AGC urges Congress to authorize and fund a study to quantify this nation's military infrastructure investment needs and to determine the annual rate at which the investment needs must be provided.

Excellent and modern facilities are a must for this nation's defense readiness. They provide the foundation for defense. They provide fulfillment of an obligation that this nation has to its military personnel and their dependents for decent, adequate housing. AGC urges Congress, at the very least, to fully fund the Administration's budget request for military construction, and urges Congress to initiate a study to determine the appropriate rate at which our military infrastructure must be repaired or replaced.

The Associated General Contractors of America

U.S. Contractor Participation in Overseas
Military Construction Programs

AGC most appreciates the Committee's past support of American contractors working abroad.

Overseas U.S. military construction projects are potentially a significant source of work for U.S. international contractors. In a number of countries, however, U.S. firms find themselves effectively excluded from U.S. MILCON work by a variety of local regulations and agreements. In addition, American contractors must compete against foreign firms which typically benefit from a variety of subsidies provided by their governments; subsidies not available to U.S. companies.

AGC believes that U.S. MILCON work should not be a vehicle for generating revenues for foreign companies. However, this is the result when foreign firms are awarded U.S. military construction contracts. In addition, the use of foreign contractors on overseas projects funded by the U.S. government serves to transfer dollars abroad, thereby contributing to this nation's serious trade deficit problem.

A 1985 Price Waterhouse study commissioned by the International Engineering and Construction Industries Council (IECIC) documents the substantial benefits to the U.S. economy of U.S. exports of architectural, engineering, and construction (AEC) services. The study determined that AEC exports in 1983 resulted in a return of \$11 billion to the U.S. economy, were responsible for 261,000 American jobs and generated more than \$1 billion in federal income taxes. A copy of this study is enclosed.

The above benefits are lost, however, where U.S. firms are

not allowed to compete, or are unable to compete on a fair and equitable basis, for overseas MILCON work.

AGC urges that bidding on major U.S. military construction projects overseas be restricted to U.S. contractors or joint ventures of U.S. and local contractors.

Realizing that the reality of existing agreements in a number of countries may make this goal difficult to achieve, at least in the short term, there are two areas within our overall objective we feel deserve the highest priority:

1. U.S. military construction in Japan; and
2. The extension of existing measures which support U.S. contractor participation on overseas MILCON projects.

Japan

While Japanese contractors took advantage of the open, non-discriminatory nature of this nation's construction markets by obtaining an estimated \$2.5 billion in U.S. contracts in 1987, no American contractor has been awarded a significant construction contract in Japan since 1965. U.S. contractors have been shut out of the Japanese market. This situation even extends to U.S. bases in Japan.

AGC considers it unfair that Japanese firms are monopolizing U.S. taxpayer-funded work on American bases in Japan. Without a Japanese construction license, which is practically impossible for U.S. contractors to obtain, U.S. contractors cannot bid on most of this U.S. taxpayer-funded work.

AGC recommends that this Committee, as part of the FY 1989 Military Construction Appropriations Act, require that bidding on all U.S. military construction projects in Japan over \$5 million be restricted to U.S. firms or joint ventures of U.S. and Japanese firms.

Extension of Existing Measures

Congress and this Committee have, over the past few years, taken a number of actions to encourage participation by American contractors in overseas MILCON work. These actions, while

perhaps not as broad in scope as AGC would like, have been helpful to U.S. firms.

AGC strongly supports the following existing programs and urges the Committee to endorse their continuation:

- o The Indian Ocean/Persian Gulf Preference
- o The Pacific Preference
- o Packaging of overseas MILCON projects
- o Publication in Commerce Business Daily of all overseas military construction projects over \$15 million.
- o The requirement that U.S.-built manufactured housing be used on overseas U.S. bases.

Conclusion

AGC believes it is imperative for this country to maintain a strong, viable presence in international construction markets. U.S. contractors have, in the past, provided fast, effective support for American diplomatic and military objectives in many parts of the world. With the ongoing support of this Committee, the U.S. construction industry will be in a strong position to continue providing that support.

STATEMENT OF

SERGEANT MAJOR C. A. (MACK) MCKINNEY, USMC (RET.)
 LEGISLATIVE COUNSEL
 NON COMMISSIONED OFFICERS ASSOCIATION OF THE USA (NCOA)

Mr. Chairman: The Non Commissioned Officers Association of the USA (NCOA) extends appreciation for permitting its representative to comment for the record on military construction and family housing programs for fiscal year 1989.

NCOA membership is currently in excess of 160,000. It is representative of all branches of the Armed Forces with a majority on active duty serving worldwide. Most of the association's active chapters are located on or near military installations. This close relationship with the military community is the cornerstone by which the association builds its position on the issues being considered by your distinguished subcommittee.

The association's FY 1989 military construction program is divided into five sections:

- o Strategic Homeporting
- o Section 6 Schools
- o Manufactured Housing
- o Bachelor Quarters
- o Miscellaneous

Each is discussed below.

STRATEGIC HOMEPORTING

NCOA continues to voice its disillusion with the Navy's homeporting plan. It appears that the Navy has failed to propose adequate provisions and funds for the well-being of its enlisted personnel who'll be assigned to such high-cost sites as New York and San Francisco.

The association's disappointment recently turned to concern when a Navy witness offered diminished facilities for enlisted personnel subsequently assigned in New York as part of the homeporting plan. When queried about the facilities the Navy witness replied, "They won't be as comfortable and the more senior enlisted who would be allowed more square footage normally won't have that. They will have the same square footage as a new person coming into the Navy."

NCOA urges this subcommittee to insist that the Navy first provide adequate personnel and family support services for naval personnel assigned to the new strategic homeports or delay the expenditure of funds earmarked for other construction projects in the homeporting plan.

MANUFACTURED HOUSING

The association's second disappointment is derived from the report of the 1987 conference committee on military construction. It removed the provision requiring each service to select manufactured housing for one of its FY 1988 construction programs.

NCOA is puzzled that in these times of soaring deficits Congress doesn't insist on the use of more manufactured housing. At least three of these units can be constructed within the cost of two stick-built homes now priced near the \$100,000 mark. Further, the move-in time is much faster providing more housing sooner for a housing-starved military community.

There's another plus to manufactured housing. Units can be dismantled and moved to new locations; something that can't be done with stick-built housing. This could be a great asset in an environment of up-and-down military end-strengths. The housing would be available to military personnel but can be dismantled and trucked to another installation or to a civilian community for use as public housing.

Whether leased housing is more advantageous to solving the military housing shortage is a question that this subcommittee must answer. However, if it is determined that government funds must be appropriated to construct family units on or near military installations, then NCOA recommends a greater use of manufactured housing.

SECTION 6 SCHOOLS

Section 6, Public Law 81-874, authorized DoD to operate schools so as to offer free public education to children residing on Federal property. In the 1950s and 1960s a number of schools were built on military installations. Today those same schools are unable to accommodate Federal, state, and local laws and standards introduced in the last decade.

Special legislation was adopted in 1983 authorizing the use of defense appropriations for the construction, repair, and rehabilitation of the schools. Two years later DoD spent \$88 million to operate elementary and secondary schools on 17 military installations. Congress then directed a study to determine the feasibility of transferring the schools to local educational agencies. To affect such a change GAO noted that Congress may

want to consider (1) increasing impact aid funds, and (2) authorize states to reduce payments to these new school districts to avoid an increase in total per-pupil funding.

However, Congress appears to be in no mood to increase impact aid funds and the local education agencies do not want the Section 6 schools without that promise, nor without the schools being repaired and rehabilitated.

Most important is the need for appropriations to repair and rehabilitate these schools. Many in Congress speak of enhancing the quality-of-life and improving the morale of our servicemembers and their families, yet they are left dangling as to the direction of the future of their childrens' education. Good grades cannot be expected in schools that are physically deteriorating.

BACHELOR QUARTERS

There has been much interest expressed by military officials over the need for more and better family housing, child care and family centers, and other facilities to accommodate our growing number of military families. NCOA is a part of that advocacy but is becoming increasingly concerned that sufficient attention is not being directed toward the bachelor servicemember and his or her needs.

Nearly one-half of our enlisted servicemembers are not married. A greater number exists when geographical bachelors are added thereto. Although the latter requires consideration, and NCOA has discussed this in past years, the association's primary interest now deals with the true bachelor.

Congress is urged to turn its attention to this issue. The services continue to first recognize the military family with little consideration given to the well-being of their unmarried personnel. There already exists some disparity in compensation.

We need to do more to encourage bachelor servicemembers to continue a career in the military. Their retention is cost-effective.

MISCELLANEOUS

Housing Allowances

Although this subcommittee hasn't much to do with housing allowances, NCOA does wish to comment on the inadequacy of the amounts allocated to those servicemembers required to find civilian housing. Everyone should be aware

that there isn't adequate housing for many of our military personnel. As long as this problem exists, Congress should provide reasonable payments of basic allowance for quarters (BAQ) and variable housing allowances (VHA). Currently, Congress is not fulfilling this obligation.

Morale, Welfare and Recreation (MWR)

Congressional actions these past few years have reduced appropriated fund support. Visibly affected are revenue-generating MWR activities, particularly in metropolitan areas. The result is a decided decrease in troop morale and difficulty in finding adequate funds to operate on-post clubs. MWR is critical to the nation's military effectiveness.

In general, MWR facilities are available to the troops, not only to improve morale and provide recreation as a physical and mental outlet, but to offer an incentive for them to stay on-post rather than travel long distances over short periods of time to find other recreational outlets. MWR helps save lives that might have otherwise been lost on our highways.

Mobile Home Parks

There are a number of military installations that have had much success with mobile home parks. NCOA urges Congress to appropriate the necessary funds to develop more of these parks, particularly where there's a shortage of housing for junior enlisted personnel.

Epilogue

There are, of course, other issues that are important to this subcommittee and NCOA. However, NCOA has attempted to address only the major concerns voiced by the majority of servicemembers, many who are part of the association's membership.

NCOA urges the subcommittee to approve the \$3.3 billion for the military's FY 1989 family housing program and for other constructions as requested herein. The Association thanks the subcommittee for its effort to enhance the quality-of-life for our servicemembers. It does not forget the outstanding support the subcommittee members and staff have given over the past years. NCOA salutes each of you for a job well done.

The Contribution of Architectural, Engineering and Construction Exports to the U.S. Economy

Executive Summary

April 1985

Prepared for:

International Engineering and
Construction Industries Council

Prepared by:

Price Waterhouse
Washington, D.C.

INTERNATIONAL ENGINEERING AND CONSTRUCTION INDUSTRIES COUNCIL

The International Engineering and Construction Industries Council was formally organized in September of 1967, by the Associated General Contractors of America, the American Consulting Engineers Council, and the National Constructors Association. IECIC was joined by the American Institute of Architects in 1980. The Council was formed to deal collectively with the mutual interest and problems of the designers and builders of projects abroad, and to provide these groups with a more effective contact with the government agencies, financial institutions, and private organizations concerned with foreign investment and development projects.

IECIC DELEGATES

Associated General Contractors of America:	IECIC Chairman
	David B. Perini
	Perini Corporation
American Consulting Engineers Council:	IECIC Action Committee Chairman
	George H. Andrews
	Morrison-Knudsen
American Institute of Architects:	Roy Attridge
	International Engineering Co.
National Constructors Association:	Richard Roth
	Emery Roth & Sons, P.C.
National Constructors Association:	John C. Richards
	The M.W. Kellogg Company



1801 K STREET, N.W.
WASHINGTON, D.C. 20006
(202) 296-0800

April 3, 1985

Mr. James P. Thompson, Jr.
International Engineering and
Construction Industries
Council (IECIC)
1957 E Street, N.W.
Washington, D.C. 20006

Dear Mr. Thompson:

We are pleased to submit the enclosed study of "The Contribution of Architectural, Engineering and Construction Exports to the U.S. Economy." As you are aware, this study was sponsored by the members of the architectural, engineering and construction (AEC) services industry.

This study is significant because it is the first comprehensive analysis of the economic impact of the AEC exports on the U.S. economy. The analysis measures not only the direct impact of international work by U.S. firms, but also measures the secondary effects as the revenues earned off-shore flow back into the U.S. economy. Finally, it quantifies the economic impact of this export-oriented industry in terms of U.S. revenues, U.S. employment and U.S. tax revenues generated.

The data contained within this study was compiled solely by Price Waterhouse and is based upon a confidential survey of the AEC firms administered by Price Waterhouse. This survey is unusual in that it received an exceptionally high response rate, which significantly enhances the credibility of the study's results.

It has been a pleasure to work with you and the other members of the industry on this important project.

Yours very truly,

Price Waterhouse

THE CONTRIBUTION OF ARCHITECTURAL, ENGINEERING AND
CONSTRUCTION EXPORTS TO THE U.S. ECONOMY

I. EXECUTIVE SUMMARY

"This study demonstrates that, from the standpoint of the U.S. economy, the AEC export industry is an \$11 billion industry which employs 261,000 U.S. personnel and generates over \$1 billion in federal corporate and personal income taxes."

The U.S. architectural, engineering and construction (AEC) services industry is composed of more than 25,000 firms engaged in the planning, design and construction of utilities, industrial facilities, heavy projects, highways, buildings, and structures. Of the firms in this industry, approximately 400 directly engage in international AEC projects. It is this subset of the AEC industry that is the focus of this study.

This report profiles the AEC export industry, the size and nature of its exports in 1983 and 1982, and the impact of these exports on the U.S. domestic economy. The results presented in this report are based upon a survey of a representative sample of AEC firms. The survey was conducted by Price Waterhouse on behalf of the AEC industry from October to December 1984. The participants in this survey are listed on Exhibit IV, and a glossary of the terms used in reporting the survey results is included as Appendix A. This study was financed by the private donations of the companies shown in Exhibit V.

The results of this study show that in 1983:

- o The U.S. AEC industry had export revenues of approximately \$19.6 billion of which \$4.8 billion represents direct U.S. revenues.
- o An additional \$6.1 billion of domestic revenues were generated as a result of AEC exports.
- o For every \$1 billion of direct revenues produced by AEC exports there is an additional \$1.27 billion of indirect revenues from associated sales of goods and services, employment, etc.
- o Total U.S. employment resulting from AEC exports was 261,000.
- o Every \$1 billion in total U.S. revenues generated by AEC exports results in approximately 24,000 jobs.
- o Total U.S. wages resulting from AEC exports were \$6.3 billion.
- o Total federal corporate and personal income taxes resulting from AEC exports were \$1.13 billion.
- o AEC exports supported \$1.4 billion in contracts to U.S. sub-contractors and the purchase of \$1.9 billion in U.S. materials.

A. Profile of the AEC Export Industry

The AEC firms who participate in foreign projects are generally privately held corporations. Some of the many construction firms who actively participate in foreign projects include Bechtel, Blount, Fluor, Guy F. Atkinson, J. A. Jones, Lummus Crest, M. W. Kellogg, Morrison-Knudsen, Parsons, and Perini Corporation. Black & Veatch, CH2M Hill, CRS Sirmine, Emery Roth & Sons, P.C., Gilbert Commonwealth, IECO, I. M. Pei & Partners, The Louis Berger Group, Metcalf & Eddy, Skidmore, Owings & Merrill and TAMS are just a few of the many architectural and engineering firms who frequently export their services.

Twenty-four percent of all firms who export AEC services participate in joint ventures. This participation in joint ventures is a result of the complex nature of AEC projects, the need to increase bonding capacity or enhance financing capability, and the frequent practice of foreign governments to require local participation in AEC projects.

Foreign AEC projects range from the planning, design and construction of a Saudi Arabian city to an environmental impact study for a sewage plant. Illustrative AEC foreign projects for 1983 and 1982 include:

- o Planning and designing a railway system in British Columbia, Canada;
- o Planning and designing the rapid transit systems in Seoul, Korea and Vancouver, Canada;
- o Designing earthen dams in the Phillipines, Nigeria, Chile, New Guinea and Argentina;
- o Designing and constructing water distribution systems and water treatment plants and pumping stations in the Middle East;
- o Designing and building the King Khalid Airport in Saudi Arabia;
- o Designing and building a nuclear power plant near Seoul, South Korea;
- o Installing a telecommunications system in Nigeria; and
- o Constructing a pre-cast steel plant in Macao.

The U.S. materials purchased to support these foreign projects include building materials such as steel and roofing material, spare parts, pumping and sewage equipment and technical electronic equipment.

B. Direct Impacts of AEC Exports on the U.S. Economy

The AEC industry had export revenues in 1983 of approximately \$19.6 billion. Of these revenues, \$4.8 billion represent U.S. revenues, or total foreign revenues less foreign expenses. AEC 1983 export revenues directly generated 45,000 jobs for U.S. personnel resulting in \$2.2 billion in wages and \$267 million in federal personal income taxes paid. Further, the 1983 AEC exports generated \$97 million in federal corporate income taxes.

AEC exports in 1983 supported \$1.4 billion in contracts to U.S. sub-contractors and incurred \$625 million in U.S. support and overhead expenses. In addition, the AEC firms purchased \$1.9 billion in U.S. materials to supply their foreign projects.

Total 1983 export revenues were more than \$2 billion lower than in 1982. In 1983 U.S. revenues decreased by \$800 million from those in the previous year. The most significant reduction in U.S. goods and services supplied for foreign projects in 1983 took place in the materials sector which declined by \$900 million from the 1982 level.

EXHIBIT I

THE CONTRIBUTION OF AEC EXPORTS TO THE U.S. ECONOMY
DIRECT ECONOMIC IMPACTS OF 1983 SERVICE EXPORTS

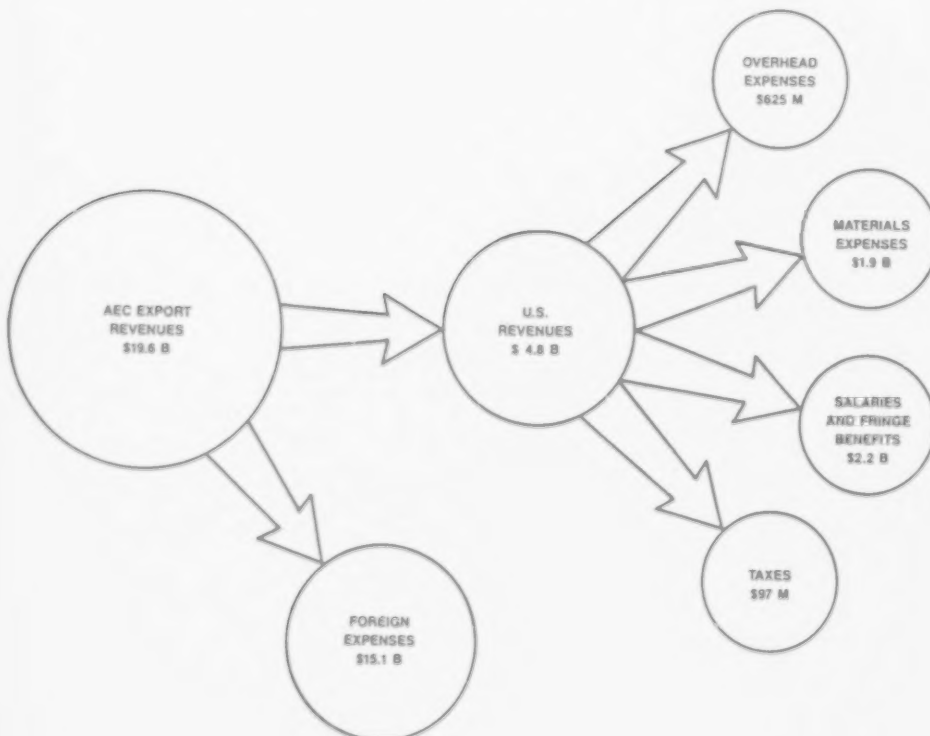


EXHIBIT IITHE CONTRIBUTION OF AEC EXPORTS
TO THE U.S. ECONOMYAGGREGATE IMPACTS OF AEC SERVICE EXPORTS

	<u>1983</u>	<u>1982</u>
U.S. Revenues Resulting from AEC Exports		
Direct	\$ 4,774,966,000	\$ 5,605,969,000
Indirect	6,126,410,000	7,292,358,000
Total	<u>\$10,901,376,000</u>	<u>\$12,898,327,000</u>
U.S. Employment Resulting from AEC Exports		
Direct	45,000	52,000
Indirect	216,000	252,000
Total	<u>261,000</u>	<u>304,000</u>
U.S. Employment Income Resulting from AEC Exports		
Direct	\$2,159,195,000	\$2,151,058,000
Indirect	4,157,173,000	4,705,666,000
Total	<u>\$6,316,368,000</u>	<u>\$6,856,724,000</u>
Federal Corporate Income Taxes Resulting from AEC Exports		
Direct	\$ 97,260,000	\$101,160,000
Indirect	102,102,000	121,346,000
Total	<u>\$199,362,000</u>	<u>\$222,506,000</u>
Federal Personal Income Taxes Resulting from AEC Exports		
Direct	\$267,153,000	\$ 267,992,000
Indirect	665,148,000	752,907,000
Total	<u>\$932,301,000</u>	<u>\$1,020,899,000</u>

C. Indirect Impact of AEC Exports on the U.S. Economy

The effect on the U.S. economy of AEC industry foreign projects, however, is not measured only by the direct revenues they generate. The U.S. revenues from exports cause successive rounds of expenditure as AEC firms pay their U.S. employees, sub-contractors and suppliers. The U.S. employees in turn purchase consumer goods and pay taxes. The U.S. suppliers and sub-contractors employ other U.S. personnel and use their AEC export income to purchase supplies, materials, and capital equipment. Estimating the magnitude of these ripples is known as economic multiplier analysis. Its results demonstrate that the impact of AEC service exports may be more widespread and far-reaching than originally indicated.

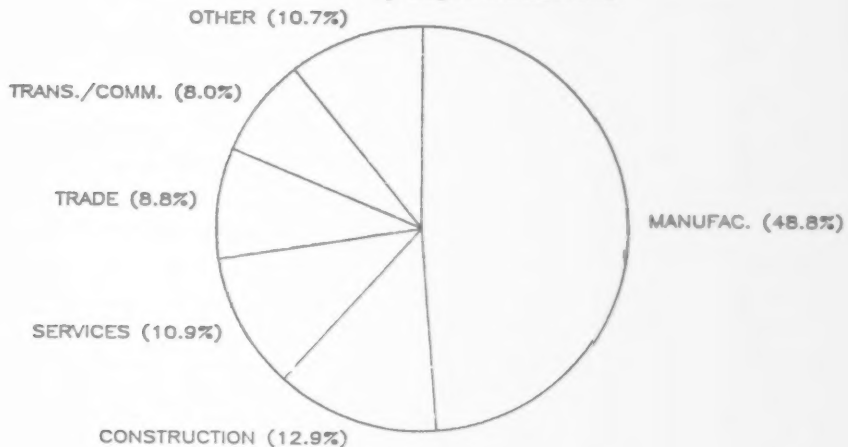
The bases for determining the appropriate multiplier to be applied are U.S. Department of Commerce statistics which estimate the production required by each of 537 business sectors to support \$1.00 of direct revenue. The multiplier values for construction and architecture and engineering revenues are 1.4 and 0.6, respectively. Therefore, \$1.00 of direct revenue in construction generates \$1.40 of indirect revenue in other sectors while \$1.00 of architecture and engineering services generates \$.60 of indirect revenues.

Economic multiplier analysis of 1983 AEC exports demonstrates that an additional \$6.1 billion in U.S. revenues were generated as a result of foreign AEC projects. Multiplier analysis can also be applied to derive indirect U.S. employment, wage income, federal corporate income taxes, and federal personal income taxes. As illustrated in Exhibit II, the results show that in 1983 exports of AEC services indirectly generated:

- o 216,000 jobs for U.S. personnel;
- o \$4.2 billion in U.S. wage income;
- o \$102 million in federal corporate income taxes; and
- o \$665 million in federal personal income taxes.

The indirect effects of AEC service exports have their major impact in the manufacturing industry where they generated an additional \$3 billion in revenues in 1983.

Exhibit III - Indirect Revenue Impact of AEC Exports
by Major Industries



This result is not surprising, given that the AEC industry spends 10% of its export income on U.S. supplied materials and that the nature of this industry requires that these materials be manufactured goods such as building materials (e.g., steel), testing equipment, construction equipment and spare parts.

D. Summary

This report represents the first comprehensive study of the economic impact on the United States of the AEC export industry. The study is based on an industry survey which was unusual due to its extremely high response rate. The survey received responses from the construction firms that generate 76% of known foreign construction revenues and the architectural and engineering (A&E) firms that generate 62% of known A&E export revenues. This high rate of response significantly enhances the credibility of the study's results.

This study demonstrates that the benefit of AEC exports to the U.S. economy far exceed the initial export revenues returned to the United States. In order to measure the full impact of AEC U.S. revenues, it is necessary to include their indirect effects as well as their direct benefits. This study demonstrates that, from the standpoint of the U.S. economy, the AEC export industry is an \$11 billion industry which employs 261,000 U.S. personnel and generates over \$1 billion in federal corporate and personal income taxes.

The remainder of this report sets forth the background and approach to this study, the details of the study's findings and the methodology used to conduct the industry survey and design the questionnaire.

THE CONTRIBUTION OF AEC EXPORTS TO THE U.S. ECONOMYAEC FIRMS INCLUDED IN SURVEY RESULTS

ABAM Engineers, Inc. Federal Way, WA	B. P. Barber & Associates, Inc. Columbia, SC
Henry J. Abrams Southfield, MI	Bartlett & West Engineers, Inc. Topeka, KS
Raymond C. Abst & Associates Modesto, CA	Barton-Malow Company Detroit, MI
Aguirre Engineers, Inc. Englewood, CO	Batson-Cook Company West Point, GA
A-J Contracting Co., Inc. New York, NY	John Baudry, AIA Baton Rouge, LA
J. S. Alberici Construction Company, Inc. St. Louis, MO	Bechtel Group, Inc. San Francisco, CA
Albertsons Inc./Design & Construction Boise, ID	Henry C. Beck Co. Dallas, TX
Allgeier, Martin & Associates, Inc. Joplin, MO	Beiswenger, Hoch & Associates, Inc. North Miami Beach, FL
AP Construction Company Stamford, CT	F. Robert Bell & Associates Anchorage, AK
Archiform & Associates Architects Milwaukee, WI	The Benham Group Oklahoma City, OK
The Architecture Company Cape Girardeau, MO	Joseph E. Bennett Company Needham, MA
ARIX, Corporation Greeley, CO	The Louis Berger Group East Orange, NJ
Guy F. Atkinson S. San Francisco, CA	Berglund-Cherne Company Denver, CO
Austin Industries, Inc. Dallas, TX	Berryman & Stephenson, Inc. Santa Anna, CA
Banner Associates, Inc. Laramie, WY	Betz Converse Murdoch, Inc. Mobile, AL

EXHIBIT IV

- Black & Veatch
Kansas City, MO
- Blount International, Ltd.
Montgomery, AL
- Bobrow/Thomas & Associates
Los Angeles, CA
- Oscar J. Boldt Construction Co.
Appleton, WI
- Bor-Son Construction, Inc.
Minneapolis, MN
- Bovay Engineers Inc.
Houston, TX
- Brent Bowman & Associates
Manhattan, KS
- Bradley-Miremont & Associates
Architects/Engineers
Baton Rouge, LA
- Bramcon General Contractors
Dallas, TX
- Brasfield & Gorrie, Inc.
Birmingham, AL
- Donald M. Brown, AIA
Anaheim, CA
- Brown & Root, Inc.
Houston, TX
- Alvin H. Butz, Inc.
Allentown, PA
- Campbell Precast Erection Company
Kent, WA
- Campeau & Crennen
Architects & Planners-AIA Directory
Helena, MT
- J. Gordon Carr & Associates
New York, NY
- Arthur A. Carrara, AIA
Whitewater, WI
- Catalytic, Inc.
Philadelphia, PA
- CEI Construction, Inc.
Bethesda, MD
- Chaix & Johnson International, Inc.
Los Angeles, CA
- Cherne Contracting Corporation
Minneapolis, MN
- Chipley Associates, Ltd.
Carmel, NY
- CH2M Hill, Inc.
Portland, OR
- Clark, Nexsen, Owen, Barbieri &
Gibson
Lynchburg, VA
- Charles W. Cole & Son, Inc.
South Bend, IN
- Commonwealth Electric Company
Lincoln, NB
- Converse Consultants, Inc.
Pasadena, CA
- William N. Cox Architectural
Associates
Albany, GA
- Edgar M. Crenshaw
Jacksonville, FL
- Cresco Masonry Construction Co., Inc.
Cresco, IA
- CRS Sirrine, Inc.
Houston, TX
- Daily & Associates Engineers
Champaign, IL
- Dames & Moore
Los Angeles, CA
- Ralph J. Dansereau, Jr., AIA
Metairie, LA

EXHIBIT IV

Darin & Armstrong, Inc. Southfield, MI	EMA Services, Inc. St. Paul, MN
Kenneth W. Dawson & Associates Louisville, KY	EMOON Associates San Jose, CA
George Dedekian, AIA Oakland, CA	ENCORP, Inc. Cincinnati, OH
Dennis Degginger, AIA Westwood, KS	Envirodyne Engineers, Inc. Chicago, IL
Delapp Engineering Corporation Santa Fe, NM	Michael C. Farley, Architect Houston, TX
Demopulos & Ferguson, Inc. Shreveport, LA	Federal Construction Co. St. Petersburg, FL
Design & Beyond, Inc. Stowe, VT	Frank C. Feutz Co. Paris, IL
V. S. DiCarlo General Contractors, Inc. Kansas City, MO	Finley Engineering Co. Lemay, MO
Dick Corporation Pittsburgh, PA	Fluor Corporation Irvine, CA
Diehl & Diehl Architects, Inc. Detroit, MI	Ford, Bacon & Davis Construction Corporation Monroe, LA
Dillingham Construction, Inc. Pleasanton, CA	Foster Wheeler Energy Corp. Livingston, NJ
Thomas Downey, Ltd. Alexandria, VA	Fox Hawaii, Inc. Honolulu, HI
Ebasco Services, Inc. New York, NY	Fox Consulting Engineers and Geologists Wheat Ridge, CO
Edwards & Zuck, P.C. New York, NY	Fruco Engineers, Inc. Ballwin, MO
The E & F Construction Co. Bridgeport, CT	Furnish & Associates Engineers Baton Rouge, LA
Eger Construction Co. Ashland, OR	Giattina, Kirkwood & Partners Architects, Inc. Birmingham, AL
Elford Inc. Columbus, OH	Gibbs & Hill, Inc. New York, NY
W. A. Ellis Construction Co. Independence, MO	

EXHIBIT IV

Gilbane Building Company
Providence, RI

Gilbert/Commonwealth Companies
Reading, PA

Goodberry Construction Co.
Dallas, TX

Gooden Associates Architects
Muncie, IN

John Graham & Co.
Seattle, WA

Green Construction Company
Des Moines, IA

Grunau Company, Inc.
Milwaukee, WI

H&M Construction Co., Inc.
Milan, TN

Warren C. Hallberg & Associates, Inc.
Forest Lake, MN

Hansen Lind Meyer, P.C.
Iowa City, IA

Hardin International Inc.
Atlanta, GA

Harrison Western Corporation
Monterey, CA

Fred C. Hart Assoc., Inc.
New York, NY

HBE Corporation
St. Louis, MO

C. I. Hersom Construction Co., Inc.
Laurens, IA

James Hilleary, AIA
Bethesda, MD

The Hillier Group
Princeton, NJ

James E. Hoagland Co.
Long Beach, CA

Hoffman Construction Company
Portland, OR

Holder Construction Co.
Atlanta, GA

Hood Corporation
Whittier, CA

Horner & Shifrin, Inc.
St. Louis, MO

Walter S. Hoskins, Professional
Engineer
Somerset, NY

Paul N. Howard Company
Greensboro, NC

Hubbard Construction Co.
Orlando, FL

Huber, Hunt & Nichols, Inc.
Indianapolis, IN

Huth Engineers, Inc.
Lancaster, PA

Inland Empire Constructors
Riverside, CA

International Engineering Co.
San Francisco, CA

J-U-B Engineers, Inc.
Boise, ID

J. A. Jones Construction Company
Charlotte, NC

John J. Kassner & Co., Inc.
Lake Success, NY

Kaufmann Construction Co.
Detroit, MI

William Keck, FAIA
Chicago, IL

Kelley/Coffin/Rovett Architects
Danbury, CT

The M. W. Kellogg Company
Houston, TX

EXHIBIT IV

Ketzel & Goodman Santa Barbara, CA	Majestic Builders Corporation Chevy Chase, MD
Robert Klemmedson, AIA Orinda, CA	MARMAC Cypress, CA
Knutson Construction Company Minneapolis, MN	Albert C. Martin & Associates, Inc. Los Angeles, CA
Samuel Kraus Company Overland, MO	Earl Martin, AIA Buffalo, NY
Kraus-Anderson Construction Co. Minneapolis, MN	Robert L. Martin, P.E., AICP Raleigh, NC
W. C. Kruger and Associates, Inc. Albuquerque, NM	Mason & Hanger-Silas Mason Co., Inc. Lexington, KY
Herman Lackner & Associates Winnetka, IL	McCall & Associates Montgomery, AL
Law Engineering Testing Company Marietta, GA	McClellan/Cruz/Gaylord & Associates Pasadena, CA
LeCesse Brothers Contracting Inc. Rochester, NY	McDevitt & Street Company Charlotte, NC
Leonard Construction Company St. Louis, MO	McDonough Associates, Inc. Chicago, IL
Lichtliter/Jameson & Associates, Inc. Houston, TX	McLaughlin Water Engineers Denver, CO
Limbach National Construction Co. Pittsburgh, PA	Mellon-Stuart Company Pittsburgh, PA
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